



# A CENTRES STUDY FOR SUTHERLAND SHIRE

## PART A SUTHERLAND SHIRE IN CONTEXT

PREPARED FOR  
**Henroth Investments**

June 2010

**Hill PDA**

ABN 52 003 963 755  
3<sup>rd</sup> Floor 234 George Street Sydney  
GPO Box 2748 Sydney NSW 2001  
t. +61 2 9252 8777  
f. +61 2 9252 6077  
e. [sydney@hillpda.com](mailto:sydney@hillpda.com)  
w. [www.hillpda.com](http://www.hillpda.com)

Hill PDA

## QUALITY ASSURANCE

### REPORT CONTACT:

**Donna Barber**

BA Hons Urban Studies and Planning DIP Town and Regional Planning MRTPI

**Associate**

Donna.Barber@hillpda.com

### QUALITY CONTROL

This document is for discussion purposes only unless signed and dated by a Principal of Hill PDA.

### REVIEWED BY



Dated .....June 2010

**SARAH HILL**

Practice Manager, Hill PDA

PHD Candidate, (Sydney University)

Master of Urban and Regional Planning Hons. (Sydney University)

B.Sc (Sydney University)

Justice of the Peace

Member of Australian Planning Institute

Member of Royal Town Planning Institute

Email: sarah.hill@hillpda.com

### REPORT DETAILS:

Job Ref No: C09218

Version: Final

Date Printed: 16/06/2010 11:58:00 AM

File Name: Sutherland Shire in Context - Part A June 16 2010.doc

## CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
Study Context.....	1
Key Study Findings .....	3
Conclusion .....	8
<b>1. INTRODUCTION .....</b>	<b>1</b>
1.1 The Purpose of the Study .....	1
1.2 The Scope of the Study.....	1
1.3 Sutherland Shire .....	2
1.4 Report Structure.....	5
<b>2. ECONOMIC CONTEXT .....</b>	<b>6</b>
2.1 The Global and Australian Economies .....	6
2.2 The New South Wales (NSW) Economy.....	8
2.3 Grocery Prices and Retail Competition .....	9
2.4 Key Findings .....	12
<b>3. PLANNING POLICY CONTEXT .....</b>	<b>14</b>
3.1 NSW State Plan, a New Direction for NSW .....	14
3.2 State Infrastructure Strategy (2008 - 2018).....	14
3.3 The Metropolitan Strategy, City of Cities (2005) .....	15
3.4 Metropolitan Transport Plan (2010) .....	17
3.5 NSW Draft Centres Policy.....	18
3.6 Metropolitan Strategy Review - Sydney Towards 2036 .....	20
3.7 Draft South Subregional Strategy .....	22
3.8 Draft Housing Strategy.....	23
3.9 The Shire Vision.....	24
3.10 Other .....	24
<b>4. DEMOGRAPHICS CHARACTERISTICS OF SUTHERLAND SHIRE.....</b>	<b>25</b>
4.1 General Demographic Characteristics of the Shire .....	25
4.2 Population Targets and Forecasts .....	26
4.3 Housing Characteristics .....	27
4.4 Employment Profile.....	28
4.5 Income Profile .....	28
4.6 Where do Sutherland Shire Residents Work?.....	29
4.7 Where do Sutherland Shire Employees Live?.....	30
4.8 How Do Sutherland Residents Travel to Work?.....	31

4.9	Key Findings .....	31
<b>5.</b>	<b>DEMAND FOR EMPLOYMENT LAND .....</b>	<b>32</b>
5.1	Existing Employment by Industry .....	32
5.2	Existing Employment Location Quotient .....	34
5.3	Employment Change.....	36
5.4	Employment Growth vs. Job Targets .....	37
5.5	Forecast Demand by Land Use .....	38
5.6	Unmet Demand for Commercial Floorspace .....	40
5.7	Key Findings .....	41
<b>6.</b>	<b>DEMAND FOR RETAIL FLOORSPACE.....</b>	<b>42</b>
6.1	The Changing Nature of Retail.....	42
6.2	Land Use Survey .....	48
6.3	Shopper Telephone Survey .....	49
6.4	Household Expenditure.....	51
6.5	Escape Expenditure.....	53
6.6	Tourism Expenditure.....	53
6.7	Demand and Supply of Retail Floor Space .....	53
6.8	Unmet Demand for Retail Floorspace.....	55
<b>7.</b>	<b>DEMAND FOR DWELLINGS .....</b>	<b>57</b>
7.1	Dwelling Targets and Demand.....	57
7.2	Demand for Dwelling Location and Type .....	58
7.3	Unmet Demand for Residential Floorspace .....	59
7.4	Key Findings .....	60
<b>8.</b>	<b>MARKET CONSIDERATIONS.....</b>	<b>62</b>
8.1	Commercial Offices.....	62
8.2	Industrial Market Considerations.....	64
8.3	Retail Market Considerations .....	70
8.4	Residential Market Considerations .....	73
8.5	Key Findings .....	77
<b>9.</b>	<b>WHAT INFLUENCES CENTRE GROWTH? .....</b>	<b>79</b>
9.1	Potential Locations to Accommodate Growth .....	79
9.2	Assessing the Suitability of Centres to Grow .....	80
9.3	Geographic Desirability .....	81
9.4	Land and Site Availability.....	84
9.5	Development Feasibility.....	88

9.6	Key Findings .....	90
<b>10.</b>	<b>CAPACITY OF CENTRES TO GROW.....</b>	<b>91</b>
10.1	Caringbah Town Centre.....	93
10.2	Cronulla Town Centre .....	95
10.3	Menai Town Centre.....	97
10.4	Miranda Town Centre.....	99
10.5	Sutherland Town Centre .....	102
10.6	Engadine Village .....	105
10.7	Gymea Village.....	107
10.8	Kirrawee Village .....	109
10.9	Southgate.....	112
10.10	Key Findings .....	114
<b>11.</b>	<b>WHERE COULD IT ALL GO? .....</b>	<b>115</b>
11.1	Office Distribution by Centre .....	116
11.2	Industrial Distribution by Centre .....	118
11.3	Retail Distribution by Centre .....	120
11.4	Residential Distribution by Centre.....	122
11.5	Key Findings .....	124

APPENDIX 1 Other Planning Policies

APPENDIX 2 Demographic Statistics

APPENDIX 3 Summary of Land Use Survey Results

APPENDIX 4 Shopper Tele-Surveys

APPENDIX 5 Comparison and Description of Centres'

APPENDIX 6 Employment Yields by Industry



## LIST OF FIGURES

Figure 1 - NSW SubRegions.....	2
Figure 2 - 2006 Aerial Photograph of Sutherland Shire .....	3
Figure 3 - Centres within Sutherland Shire .....	4
Figure 1 - Revised Dwelling and Employment Projections 2006- 2036.....	18
Figure 2 - Supermarkets Represented in the Shire .....	49
Figure 3 - Retail Trade Areas.....	50
Figure 4 - South Sydney Industrial Market.....	66
Figure 5 - Summary of Assessment Criteria.....	80
Figure 6 - LEP Zoning and 2006 Aerial Photograph of Carringbah Town Centre.....	93
Figure 7 - LEP Zoning and 2006 Aerial Photograph of Cronulla Town Centre.....	95
Figure 8 - LEP Zoning and 2006 Aerial Photograph of Menai Town Centre .....	97
Figure 9 - LEP Zoning and 2006 Aerial Photograph of Miranda Town Centre .....	99
Figure 10 - LEP Zoning and 2006 Aerial Photograph of Sutherland Town Centre .....	102
Figure 11 - LEP Zoning and 2006 Aerial Photograph of Engadine Town Centre .....	105
Figure 12 - LEP Zoning and 2006 Aerial Photograph of GyMEA Town Centre.....	107
Figure 13 - LEP Zoning and 2006 Aerial Photograph of Kirrawee Town Centre .....	109
Figure 14 - LEP Zoning and 2006 Aerial Photograph of Southgate Town Centre.....	112
Figure 15 - Estimated Increase in Commercial Floorspace (sqm) – 29,179sqm .....	117
Figure 16 - Estimated Increase in Industrial Floorspace (sqm).....	119
Figure 17 - Estimated Increase in Retail Floorspace (sqm) – 94,231sqm.....	121
Figure 18 - Estimated Increase in the Number of Dwellings – 2,927 dwellings.....	123

## LIST OF TABLES

Table 1 - Estimated Commercial Floorspace (sqm) Demand by Category 2006-2036 .....	3
Table 2 - Summary of Industrial Floorspace (sqm) Demand by Category 2006-2036 .....	4
Table 3 - Summary of Gross Undersupply of Retail Floor Space in Sutherland Shire 2007-2036 .....	5
Table 4 - Summary of Floorspace Demand 2006-2036 .....	6
Table 1 - Population Growth Forecasts for Sutherland Shire 2006-2036 .....	27
Table 2 - Proportion of Homes Owned / Being Purchased or Rented in Sutherland Shire 2001 - 2006 .....	28
Table 3 - Labour Force Characteristics of Sutherland Shire's Resident Workforce 2006 .....	28
Table 4 - Weekly Household Incomes (\$) for Sutherland LGA 2006.....	29
Table 5 - Where the Sutherland Shire's Workforce Travels for Work.....	30
Table 6 - Where Persons Employed in Sutherland Reside .....	30
Table 7 - Estimated Jobs by Industry within Sutherland LGA and East and West SLAs 2006 .....	33
Table 8 - Location Quotient for Existing Jobs in Sutherland Shire to the GMA (2006) .....	35

Table 9 - Forecast Job Change by Industry Category within Sutherland Shire 2006 - 2036 .....	37
Table 10 - Estimated Industrial Floorspace Demand (sqm) by Category 2006-2036 .....	39
Table 11 - Estimated Commercial Floorspace (sqm) Demand by Category 2006-2036 .....	40
Table 12 - Commercial Developments in the Pipeline .....	40
Table 13 - Forecast Household Expenditure Generated in Sutherland Shire by Commodity (2007\$m) .....	52
Table 14 - Forecast Household Expenditure Generated in the Shire by Retail Store Type (2007\$m) .....	52
Table 15 - Benchmark Turnover Rates \$/sqm GLA (\$2007)* .....	54
Table 16 - Undersupply of Retail Floor Space in Sutherland Shire in 2007 (2007\$m) .....	54
Table 17 - Undersupply of Retail Floor Space in Sutherland Shire in 2021 (2007\$m) .....	55
Table 18 - Undersupply of Retail Floor Space in Sutherland Shire in 2036 (2007\$m) .....	55
Table 19 - Retail Developments in the Pipeline .....	56
Table 20 - Demand for Dwellings in Sutherland Shire LGA .....	58
Table 21 - Residential Developments in the Pipeline .....	60
Table 22 - Sydney Commercial Office Indicators by Market .....	63
Table 23 - Sydney Industrial Market Indicators .....	65
Table 24 - Industrial Sales Caringbah & Taren Point .....	68
Table 25 - Industrial Sales in Kurnell and Other Industrial Areas .....	69
Table 26 - Sydney Retail Market Indicators .....	70
Table 27 - Sutherland Shire Retail & Commercial Shop Front Vacancies .....	71
Table 28 - Sydney Residential Vacancy Rates, November 2009 .....	73
Table 29 - Sutherland Shire: Existing Residential Market Context .....	74
Table 30 - Median Sale Prices (September 2009) .....	75
Table 31 - Median Sales Prices* (December 2009) .....	76
Table 32 - Median Weekly Rents (December 2009) .....	76
Table 33 - Representative Residential Site Values By Centre .....	88
Table 34 - Representative Industrial Site Values by Centre .....	88
Table 35 - Representative Commercial & Retail Site Values* .....	89
Table 36 - Centre Types .....	91
Table 37 - Summary of Potential Development Opportunities for the Shire .....	114
Table 38 - Unmet Demand for Office Floorspace to 2036 .....	116
Table 39 - Unmet Demand for Industrial Floorspace to 2036 .....	118
Table 40 - Unmet Demand for Retail Floorspace to 2036 .....	120
Table 41 - Unmet Demand for Residential Floorspace to 2036 .....	122
Table 42 - Summary of Demand for Floorspace (2036) .....	124



## GLOSSARY OF ABBREVIATIONS

Australian Bureau of Statistics	ABS
Census Collection District	CCD
Development Control Plan	DCP
Economic Impact Assessment	EcIA
Floor space Ratio	FSR
Greater Metropolitan Area	GMA
Gross Domestic Product	GDP
Gross Floor Area	GFA
Gross Lettable Area	GLA
Local Environmental Plan	LEP
Local Government Area	LGA
Moving Annual Turnover	MAT
NSW Department of Planning	DoP
Preliminary Environmental Assessment	PEA
Social Impact Assessment	SIA
Shopping Centre News	SCN
Statistical Local Area	SLA
Sydney Metropolitan Area	SMA
Transport Data Centre	TDC

## DEFINITION OF TERMS

### **Census Collection District (CCD)**

The smallest geographic area defined in the Australian Standard Geographical Classification (ASGC). It can be defined as an area which one census collector can cover delivering and collecting census forms in a specified period. On average there are about 150 - 250 dwellings per CCD.

### **Greater Sydney Metropolitan Region**

Refers to the area covering the Sydney Statistical Division, Illawarra, Central Coast and Newcastle localities.

### **Moving Annual Turnover**

Sales for a twelve-month period calculated on a monthly rolling basis. As a general rule the MAT of a shopping centre includes trade from all tenants where the manager is provided with sales data.

### **Sydney Statistical Division (SD) or Region**

Refers to the 43 LGAs of the Sydney Metropolitan Area and Central Coast.

### **Statistical Local Area (SLA)**

A small geographic area that comprises a number of suburbs or postcodes. An SLA is usually equivalent to the boundaries of a local government area unless it does not fit entirely within a Statistical Subdivision.

### **Travel Zone**

A small geographic area used as the basis for Transport Data Centre (TDC) modelling and data analysis. Travel Zones provide a level of analysis between Census Collection District (CD) and Statistical Local Areas (SLA) as defined by the Australian Bureau of Statistics.

# EXECUTIVE SUMMARY

## Study Context

Suitable land that is available for development is scarce within Sutherland Shire (the Shire). In addition the Shire presently suffers from an undersupply of residential, retail and commercial floorspace. To compound this deficiency, Hill PDA estimates that by 2036, the Shire will need to accommodate significant growth including an additional 92,500sqm of retail floorspace, 56,000sqm of office floorspace and a staggering 855,000sqm of residential floorspace (close to 10,000 dwellings). This would equate to demand for an additional 100 hectares of land.

The critical question that needs to be addressed is where could all this floorspace go? How can an already constrained area, such as the Shire, expand to accommodate the changing demands of its growing community whilst preserving and enhancing its lifestyle characteristics and environmental quality?

This two-part Study of Centres within the Shire seeks to address the question of development capacity from an economic perspective. Part A of the Study reviews relevant matters across the Shire and seeks to quantify the amount of existing and forecast floorspace needed. It also provides a review of the opportunities and constraints influencing the growth of centres across the Shire identifying where significant growth could reasonably be achieved. In order to undertake this analysis, the Study identified and focused on nine key centres in Sutherland Shire. Notwithstanding the fact that the nine key centres presently provide over 90% of the Shire's retail floorspace, the Study's analysis found that only six of the nine have reasonable capacity and potential to accommodate growth.

One of the nine key centres in Sutherland Shire analysed by the study is Kirrawee. The centre incorporates the former Brick Pit Site, identified as one of the only major sites readily available for development. Consequently, Part B of the Study focuses on the former Kirrawee Brick Pit Site and reviews its capacity to make a significant contribution towards achieving this growth, thereby supporting the needs of the Shire.

The need for this Study arose in response to a number of planning and economic factors.

From a planning perspective the question of capacity arose in light of the revised employment and dwelling targets between 2006 and 2036 established by the NSW Department of Planning's review of the Metropolitan Strategy.<sup>1</sup> The targets have been revised in light of higher population forecasts for Sydney and the resulting need to accommodate an additional 1.7 million residents by 2036.

Also, from a planning perspective the question regarding appropriate locations to accommodate this growth required consideration following the publication of the draft Centres Policy and the aforementioned review of the Metropolitan Strategy. Both of these documents set a clear preference for the growth of

*"We aim to locate 80% of new housing within walking distance of a centre to ensure most new housing and jobs are located near public transport"*

NSW Department of Planning 2010

<sup>1</sup> Metropolitan Strategy, Sydney Towards 2036, NSW Government, 2010

locations within or close to established centres, close to transit nodes that can revitalise centres and facilitate urban renewal. These policy considerations formed the basis for the scope of this Study.

*"The NSW Government wants to ensure the best competitive and economic outcomes are achieved in NSW"*

NSW Department of Planning and Better  
Regulation Office

From an economic perspective, the world economy has entered a major period of readjustment in the wake of the Global Financial Crisis. Australian Commonwealth and State Governments are therefore placing greater emphasis on the need to support business investment and job growth and to address the issue of housing affordability.

The Australian Commonwealth and State Governments have also highlighted the need for planning to react to the inflation of grocery prices and the lack of competition in the Australian retail industry via policies that promote greater flexibility, growth and choice for consumers and developers alike.

Thus the need to generate more jobs, enhance business investment, retail competition and provide more affordable homes closer to work all became guiding considerations in this Study.

The following provides a summary of the key findings of Part A of the Study. This part of the study provides a strategic review of the Shire and specifically identifies:

1. the growth in demand for a range of employment generating and residential floorspace; and
2. the capacity of the Shire's centres to accommodate any existing unmet as well as forecast demand.

There are 20 Centres within the Shire as defined by the South Subregion draft Subregional Strategy. The Study has focused on the capacity for five Town Centres, three Villages and the Standalone Centre at Southgate to grow, as together these centres combine to provide close to 90% of existing retail floorspace<sup>2</sup> within the Study Area.

---

<sup>2</sup> Hill PDA Floorspace Survey 2010

## Key Study Findings

### **Key Finding 1 – A Greater Variety and Number of Jobs are Needed**

A review of existing employment and workforce found that the Shire had a low level of job containment with the major portion of the resident workforce (62%) travelling to other LGAs for employment opportunities. The largest single share (17%) was found to be travelling to Sydney City. Of the 54,000 jobs provided in the Shire (as of 2006) a high proportion (75%) were taken by local residents showing a desire to work locally if the right employment opportunities are available.

Based on Transport Data Centre<sup>3</sup> (TDC) employment estimates, the Shire is forecast to achieve a net increase in employment of 16,187 jobs between 2006 and 2036 with the greatest actual increase in jobs over the Study period forecast to occur within the retail industry generating 5,321 additional jobs. Significant actual growth is also forecast in Education and Training (+2,224 jobs) as well as Health Care and Social Assistance (+2,149 jobs). This job growth is a likely reflection of government policies<sup>4</sup> to promote a cluster of support and associated medical facilities around Sutherland Hospital.

These findings **support the need for additional retail and commercial floorspace** to accommodate growth and provide employment opportunities that meet the skill set of the local workforce.

### **Key Finding 2 – Demand for Additional Commercial Floorspace**

Hill PDA's analysis of employment forecasts found that over the Study period (2006-2036) there is a forecast 24% net increase in demand for commercial floorspace. That equates an additional 91,000sqm of commercial floorspace with most significant growth anticipated within the Rental, Hiring and Real Estate Services, Professional, Scientific and Technical Services and Public Administration and Safety sectors.

**Table 1 - Estimated Commercial Floorspace (sqm) Demand by Category 2006-2036**

Commercial Jobs	2006	2021	2036	2006-2021	2006-2036	% Change 06-36
Information Media and Telecommunications	12,257	6,637	3,669	- 5,620	- 8,588	-70%
Financial and Insurance Services	53,571	50,687	52,338	- 2,884	- 1,234	-2%
Rental, Hiring and Real Estate Services	40,777	59,228	70,976	18,452	30,199	74%
Professional, Scientific and Technical Services	145,690	164,713	172,145	19,023	26,455	18%
Administrative and Support Services	44,830	41,713	36,836	- 3,117	- 7,994	-18%
Public Administration and Safety	79,722	104,324	131,940	24,603	52,218	66%
<b>Total Forecast Growth (sqm)</b>	<b>376,846</b>	<b>427,302</b>	<b>467,903</b>	<b>50,456</b>	<b>91,057</b>	<b>24%</b>

Source: TDC, Employment Forecasts October 2009

Whilst there is a modest forecast growth in demand for commercial floorspace, this needs to be balanced with Hill PDA's market analysis which found that historically, and at present, there is limited actual demand from existing or potential occupiers. Furthermore, it is important to recognise the need for a critical mass of offices

<sup>3</sup> Latest release October 2009

<sup>4</sup> Action B.1.1.2 of the Draft South Subregional Strategy

that can sustain the support and tenant service. These are major factors that influence a tenant's location decision. As such **Hill PDA considers that additional commercial floorspace should be encouraged to locate close to existing concentrations in centres such as Sutherland, Caringbah and Miranda.**

### **Key Finding 3 – Limited Demand for Additional Industrial Floorspace**

The Study found that the TDC's forecast changes to manufacturing and industrial sectors in the Shire would result in a **4% reduction (or -33,525sqm) in demand for industrial type floorspace by 2036**. This is a common trend across Australia as a result of factors such as the relocation of industries offshore and the increasing efficiencies of industries on account of improved technologies. This finding sits comfortably with the draft Centres Policy which encourages LGA's to find appropriate uses for employment lands that are no longer needed in their current form.

**Table 2 - Summary of Industrial Floorspace (sqm) Demand by Category 2006-2036**

Industry Type	2006	2021	2036	2006-2021	2006-2036	% Change
Total Manufacturing	355,874	314,407	286,365	-41,467	-69,510	-20%
Total Other Industry	530,030	551,065	566,014	21,034	35,984	7%
<b>Total Forecast Industry Growth (sqm)</b>	<b>885,905</b>	<b>865,472</b>	<b>852,379</b>	<b>-20,432</b>	<b>-33,525</b>	<b>-4%</b>

Source: TDC, Employment Forecasts October 2009

### **Key Finding 4 – Significant Existing Retail Undersupply and Growth in Demand**

Hill PDA's detailed retail demand analysis found that as of 2007, the Shire had a significant existing undersupply of non-bulky goods retail floor space equating to approximately 75,000sqm. This undersupply represented 26% of supply or 21% of total estimated household demand. The undersupply is also a likely influence on the trading levels of many of the Shire's centres that can be as much as 10% - 20% above national average levels. Hill PDA's detailed expenditure analysis also found that this undersupply of retail floor space will be exacerbated as demand for floor space increases over time due to population growth and increasingly household affluence. It therefore follows that without the commensurate provision of retail floorspace, the overtrading of existing centres will only be exacerbated.

The draft Centres Policy and the DoP's recent report *Promoting Economic Growth and Competition in the Planning System*<sup>5</sup> both recognise that an undersupply of retail floorspace is undesirable. Key reasons relate to:

- inflated local grocery prices for consumers;
- reduced choice and range of good for consumers;
- the need to travel further distances to purchase goods; and
- a missed opportunities for investment in local economies / NSW.

The summary table below shows the **need to plan for an additional 136,000sqm of retail floor space by 2021** across the Shire or a further 205,500sqm by 2036. To achieve 136,000sqm by 2021 will be a challenge

<sup>5</sup> Promoting Economic Growth and Competition through the Planning System Review Report April 2010

as this is a significant level of space, indeed it is almost 20,000sqm more than all of the occupied retail floor space in the centre of Miranda.

**Table 3 - Summary of Gross Undersupply of Retail Floor Space in Sutherland Shire 2007-2036**

YEAR	2007	2021	2036
			Under-supply (sqm)
Supermarkets & Grocery Stores	20,982	31,610	46,586
Specialty Food Stores	16,596	22,358	29,027
Fast-Food Stores	11,574	17,152	22,529
Cafes and Restaurants	4,763	12,746	17,791
Department Stores	227	11,395	24,334
Specialty Non-Food Retailing	20,519	41,268	65,291
<b>Total Retailing</b>	<b>74,662</b>	<b>136,529</b>	<b>205,559</b>

Source: Hill PDA Retail Demand Analysis

### **Key Finding 5 – Increased Retail Competition is to be Encouraged to Benefit Consumers**

Recent research into retail competition has found that inflated grocery prices are largely a result of the anti competitive retail and urban planning environment in Australia. It has been argued that owing to restrictive planning laws, consumers were paying up to 18% more for basic food items and up to 28% more for household products<sup>6</sup>.

To address this issue, the NSW draft Centres Policy identifies the importance of increased competition between retailers. The policy encourages councils to zone sufficient areas of land to enable additional (and particularly new large format retailers) to enter into the NSW market and to help meet the significant forecast growth in demand.

As such, the policy urges Council's to **promote and encourage appropriate retail development** in their respective localities in order to meet minimum floorspace targets. The policy established 2.0sqm per capita as the minimum target however it recognises that this target may be greater in many of Sydney's Subregion's and will increase over the next 25 years.

### **Key Finding 6 – There is Substantial Demand for a Greater Variety and Number of Dwellings**

Hill PDA's assessment of the existing housing market and population forecasts found there to be **mismatch between the current stock of detached dwellings and the growing demand for smaller, more affordable units**. Housing start ups are at one of the lowest points in the last decade with only 3,000 dwellings estimated to be in the Shire development pipeline against a projected need for up to 15,200 additional dwellings by 2036 (equating to an average of 500 new dwellings per annum).

Accommodating this growth is a major challenge for the Shire, where the growing gap between the underlying need for dwellings and the number of dwellings actually being built is already causing prices to rise, placing greater stress on households to service their mortgage debts or rents.

Planning policies are being revisited to help councils meet these challenges in a sustainable manner, requiring 80% of all new housing in urban locations to be within walking distance of public transport. This will

<sup>6</sup> [1] Professor Allan Fels, Dr Stephen Beare and Stephanie Szakiel, Choice Free Zone, Urban taskforce and Concept Economics



necessitate the approval of higher density and smaller (1 and 2 bedroom) apartments to maintain affordability and to meet the growing housing needs of the Shire.

### **Key Finding 7 – Expand Existing Centres and Facilitate the Growth of New Centres**

There has been a **major renewed focus on the need for sustainable urban development and urban renewal within Sydney's centres**. Mixed use developments provide jobs, shops and services closer to homes, reducing the number and length of journeys by private car as well as pressure on the highway network.

Similarly, encouraging higher density developments in centres and other locations well served by public transport reduces the need to release new land for development, thereby minimising urban sprawl. This in turn helps to create the densities required to support further investment in sustainable modes of transport through increased passenger numbers as supports the vitality and attractions of existing centres.

### **Key Finding 8 – Where Can Almost 1million sqm of Additional Floorspace Go?**

The demand and supply analysis identified demand for over 91,000sqm of office, 205,559sqm of retail and 1.3 million sqm of residential floorspace by 2036.

**Table 4 - Summary of Floorspace Demand 2006-2036**

Floorspace	Office	Industrial	Retail	Residential	TOTAL
Estimated Demand	91,057	-33525	205,559	1,373,850	1,636,941
Completions 2006-2009				135,000	135,000
Estimated Emerging Supply	29,179	18,198	94,231	297,756	439,364
20% Supply Contingency	5,836	3,640	18,846	86,551	114,873
<b>Unmet Demand</b>	<b>56,042</b>	<b>-55,363</b>	<b>92,482</b>	<b>854,543</b>	<b>947,704</b>

Source: Hill PDA and Cordells Connect

Even allowing existing centres to grow by approximately 440,000sqm (which includes the current proposals for major retail / mixed use schemes in Kirrawee, Sutherland and Miranda) there would still be demand for land within the Shire's centres to accommodate close to 1 million sqm of **additional** floorspace by 2036.

Hill PDA undertook an assessment of the nine key centres within the Shire to establish which have reasonable capacity to grow from an economic perspective. Using the economic criteria of 'desirability', 'availability' and 'feasibility', our analysis found that only six of the nine key centres have realistic capacity and incentive for growth<sup>7</sup> (despite significant growth in floorspace demand).

Furthermore, only a handful of short term development opportunities were identified including:

1. The major redevelopment of the Flora Street car park in Sutherland Centre to provide a mix of uses including retail, apartments and offices;
2. Redevelopment of the former Kirrawee Brick Pit site for a mix of uses;
3. The gradual change of use and redevelopment of the mixed use zone in Flora Street, Kirrawee, that is divorced from the main Kirrawee hub of industrial activity located to the north of Princes Highway;

<sup>7</sup> Please Note: this conclusion was based on economic grounds and included limited assessment of environmental and amenity constraints

4. The intensification of development within town centres such as Caringbah and Miranda including the redevelopment of surface car parks; and
5. The development of the site to the immediate north of the railway line in Gymea.

Even if all these potential opportunities are developed, the realisation of a further 950,000sqm of floorspace (including 92,500sqm of retail) will be a major challenge.

Achieving the associated business investment, job generation and much needed housing will be dependent on shifts in current planning policy. By this it is meant that necessary changes to create incentives for development will need to include rezoning of some lands as well as increases to the permissible floor space ratios and building heights in appropriate locations and in particular land in or adjacent to existing centres.

### **Key Finding 9 – A “No Growth” Scenario has Major Social and Economic Implications**

In the case that the Shire’s Centres are unable to grow to accommodate floorspace demand, there will be a likely host of knock on implications to the lifestyle and environmental characteristics of the LGA. A key impact will be an inability to meet the Shire’s employment targets and the consequential need for an even greater proportion of the community to travel out of the Shire to work. The existing undersupply of retail floorspace, jobs and housing in the locality is already resulting in greater reliance on private vehicles and trip generation that will only exacerbate without additional growth.

A further reduction in the Shire’s containment of employment and self sufficiency would have adverse infrastructure implications by placing greater strain on road and transport networks and the environment through the release of more carbon emissions. It would also impact the lifestyles of residents in the Shire with jobs being provided in excess of 30 minutes travel time from where people live, increasing stresses associated with a commute in busy traffic and a longer work day.

There would be very serious repercussions with regards to housing affordability, with rising house prices requiring residents to spend more than 30% of their income on housing, placing them in housing stress. A no growth scenario may also result in an increased proportion of hidden households, for example people living with parents as they are no longer financially able to afford their own home. It may also result in people leaving the Shire to live in more affordable yet less sustainable locations.

A “no growth” scenario may be positive for existing retailers who would continue to benefit from the existing undersupply of retail floorspace, above average turnover levels, growing availability of household expenditure and the comparative lack of competition. This scenario would not however be favourable for the consumer as a lack of competition, and ongoing retail undersupply would translate into more expensive goods, reduced choice, reduced convenience of access and an overall poor shopping experience with little incentive for existing retailers to enhance the offer.

A mismatch between retail supply and demand would also result in the need for a greater number of shopping trips out of the Shire and as such a higher level of escape expenditure. This would adversely affect investment and economic growth. Furthermore, without sustainable yet significant growth across a range of uses in Sutherland Shire, the many challenges already being experienced by its community will exacerbate resulting in a lower quality natural, urban and social environment.

## Conclusion

In summary, Part A of the Centres Study for Sutherland has found that:

- there is sufficient unmet and forecast demand for retail floorspace to facilitate the growth of all centres within the Shire. The growth of existing centres will be of fundamental importance to the Shire's ability to meet the retail, service, employment and housing needs of its community;
- the growth of centres within the Shire will also play a critical role in achieving the State Government's objective for 80% of all new dwellings within urban locations to be provided within existing or new centres;
- opportunities for the growth and intensification of many existing centres within the Shire are limited. Of the nine key centres analysed (that currently account for 90% of floorspace within the Shire's centres), only six have realistic potential for further growth by 2036;
- one of the six centres with substantial potential to grow is Kirrawee, having particular regard to the 4.2 hectare former Kirrawee Brick Pit Site;
- revitalising the former Kirrawee Brick Pit Site is only part of the solution. Owing to the forecast scale of growth in demand for a range of land uses, there will be scope and need for all centres in the Shire to benefit from, and contribute to, accommodating existing unmet and forecast future demand. Accordingly the growth of existing centres and the formation of new centres should be encouraged and supported in the Shire; and
- the Shire will need to put in place a series of measures, including rezoning of existing employment lands, increased FSR's and building heights, particularly in areas well located with regards to public transport, jobs and homes to achieve growth across the Shire to meet the needs of its community.

Part B of the Study provides a more detailed analysis of the potential of Kirrawee Centre and the role the former Kirrawee Brick Pit Site could play in supporting the Shire's ability to achieve its housing, employment and retail targets.

In conclusion Part A of this Study has found that without significant changes (including the expansion of centres and the creation of new ones) the Shire cannot meet the retail needs of the existing population. Furthermore in light of forecast population and household expenditure growth this shortfall will only increase to the further detriment of consumer choice and grocery prices. To avert this dilemma, retail development and thereby competition must be supported and encouraged now, rather than delayed, to ensure that supply grows commensurate with demand.

The realisation of commercial and housing developments will also be challenged by matters concerning the feasibility of development as well as the availability of suitable sites. In summary a delay in addressing these factors is likely to hinder the Shire's ability to meet its challenging growth targets. This will have serious resultant knock on implications for the local community and the ability for wider Sydney to sustainably grow.

# 1. INTRODUCTION

## 1.1 The Purpose of the Study

Hill PDA has been commissioned to undertake an independent assessment of centres in Sutherland Shire (the Shire) and their ability to meet the changing and future needs of the Local Government Area (LGA).

This Study has been undertaken in light of planning policies prepared by the NSW Department of Planning (DoP) that establish employment and housing targets for the Shire for the period to 2036 and that seek to enhance opportunities for retail competition, consumer choice and the provision of sustainable employment opportunities<sup>8</sup>. To address these objectives, local councils in NSW are being encouraged to implement minimum retail floorspace targets, support suitable development applications and zone additional land in centres for the purpose of employment and higher density housing.

Whilst these approaches are important components of achieving these objectives, the economic realities can often hinder their effective realisation and implementation. As specialists in land economics, property valuation and urban planning, Hill PDA has structured this Study so that it analyses the economic and social conditions that are likely to drive growth in the Shire against the financial realities of implementing viable developments.

By assessing the scope of retail, commercial, industrial and residential floorspace demand generated in the Shire between 2006 and 2036, in addition to the capacity and constraints of established centres to accommodate this demand, it is intended that this Study will assist in providing suitable information to achieve urban renewal in suitable locations. In light of recent NSW Department of Planning's (DoP) guidance, this objective has become all the more important with a new target of 80% of dwelling growth on brownfield land to take place in Centres.

*"We aim to locate 80% of new housing within walking distance of a centre to ensure most new housing and jobs are located near public transport."*

NSW Department of Planning, Metropolitan Strategy Review

## 1.2 The Scope of the Study

This Study has sought to undertake a comprehensive scope of issues influencing, or with potential to influence the success of urban renewal in the Shire. In order to support these objectives, Hill PDA met with the DoP in February 2010 to agree the scope of the Study. The main principle agreed was for the Study to follow a top down approach, that is, a review of supply and demand for uses across the Shire and the capacity of its Centres to accommodate that growth. Key issues identified as necessary for the Study to address included potential impacts to employment generation and the sustainability of Centres.

<sup>8</sup> Metropolitan Strategy, Metropolitan Transport Plan, draft South Subregional Strategy and NSW Draft Centres Policy

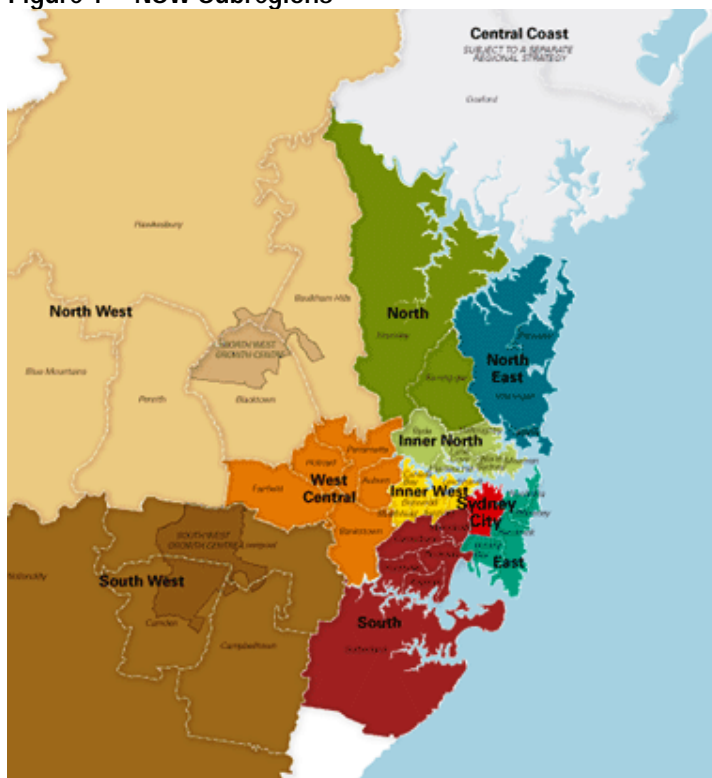
It was considered appropriate for the Study Area to comprise the administrative boundary of Sutherland Shire LGA and that the Study Period should look forward to 2036, aligning with the timeframes of the recently published Metropolitan Transport Plan and the concurrent review of the Metropolitan Strategy. In light of these requirements Hill PDA has used appropriate statistical information and where necessary applied sensible assumptions to apply them to this period.

For consistency throughout the Study we make reference to 2021 as a midpoint between 2006 and 2036. This is useful, as it is widely acknowledged that beyond 10-15 years the statistical integrity of projections reduces.

## 1.3 Sutherland Shire

Sutherland Shire lies at the southern end of the Sydney Metropolitan Area (SMA), north of Wollongong and approximately 25km south of the City of Sydney. It is one of the largest LGA's within NSW covering some 456sqkm. Its eastern border comprises the Pacific Ocean. To the west lie the LGA's of Campbelltown and Camden.

**Figure 1 - NSW Subregions**



Source: NSW Department of Planning, Metropolitan Strategy

As can be seen in Figure 2 (over the page), the Royal National Park, which remains largely undeveloped, dominates the area to the south with most Centres being located in the northern part of the Shire.

Of the areas that are developed there is a preponderance of residential land uses, interspersed with pockets of retail and commercial uses. Industrial uses dominate the Kurnell Peninsular, home to the Caltex refinery.



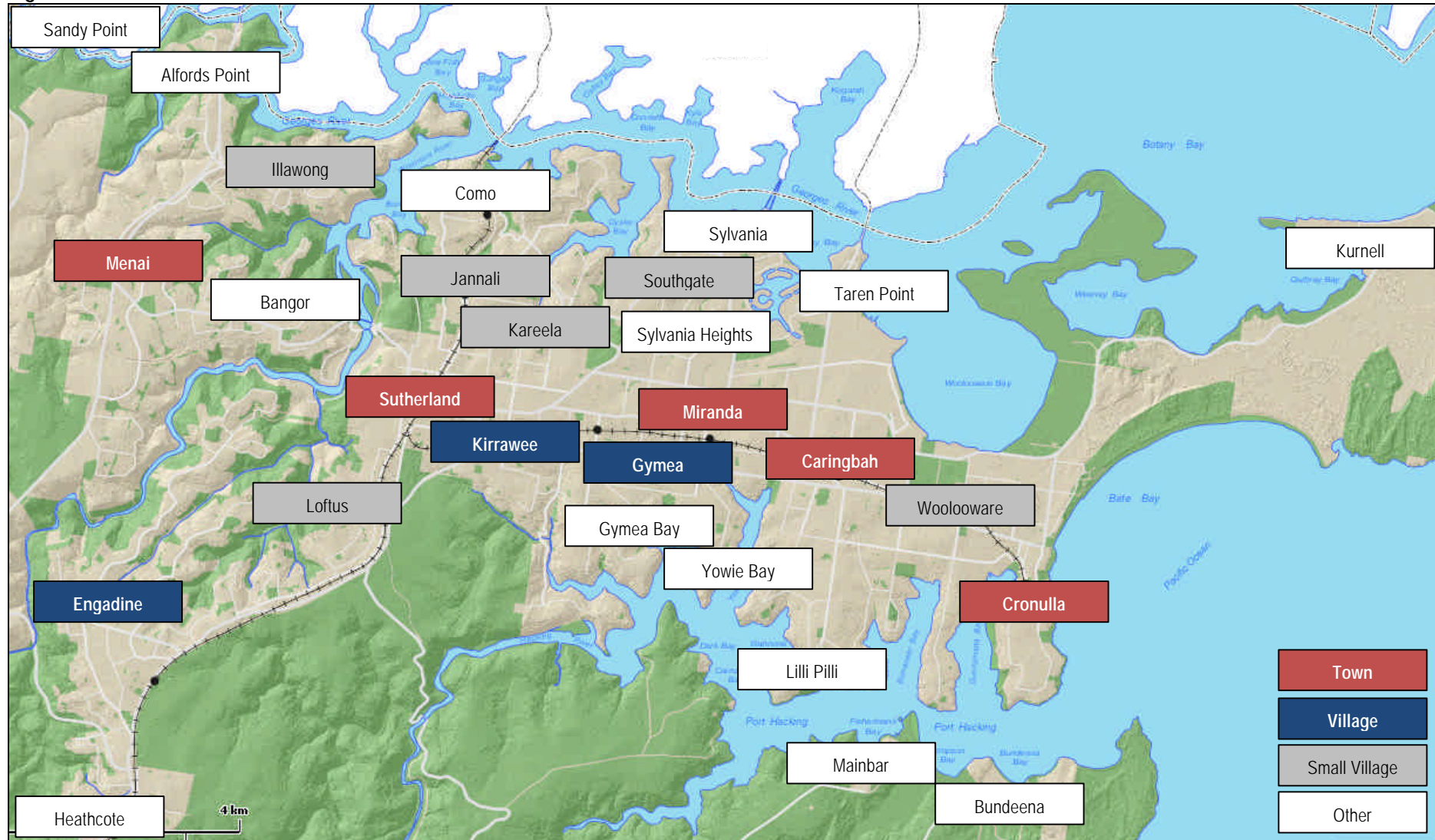
Figure 2 - 2006 Aerial Photograph of Sutherland Shire



Source: [www.mapping.ssc.nsw.gov.au](http://www.mapping.ssc.nsw.gov.au)

As can be seen in Figure 3 (over the page), the largest centres within the Shire (highlighted in red) form a linear settlement pattern, from Cronulla on the east coast to Menai in the far west of the Shire. This line broadly follows the Illawarra railway line, one of the two lines that run through the Shire, providing easy access around the Shire and important links to Sydney CBD and Sydney Kingsford Airport.

Figure 3 - Centres within Sutherland Shire



Source: Sutherland Shire LGA Website and adapted by Hill PDA



## 1.4 Report Structure

In order to address the Study objectives and scope outlined above, this Study has been structure as follows:

**Part A – Sutherland Shire in context:** Identifies the purpose of the Study and sets out its scope and limitations and provides the strategic context that will influence the findings of this Study. It looks at trends and drivers of the economy, relevant policy framework (state and local) and provides an analysis of demographics/ characteristics and employment statistics. Hill PDA then calculates commercial and industrial floorspace and demand comparative to supply over the Study period. This type of demand should not be confused however with property market demand which is also reviewed in this part of the Study.

As retail is the dominant land use within the established centres, a substantial component of this part of the Study is dedicated to an assessment of the retail demand and supply.

This Part of the Study concludes with the subjective analysis of which established centres have the capacity to expand in addition to which centres should be targeted to accommodate future growth.

**Part B – Part of the Solution:** Having established supply, demand and constraint matters in the Shire, it is appropriate to consider how major developments could assist in addressing the changing constraints and needs of the local community. It is also appropriate to assess the impacts associated with major development opportunities identified within the Shire. This part of the Study profiles the former Kirrawee Brick Pit site (the Site) as one opportunity site to support the solution to the Shire's constraints describing the Sites existing characteristics, the challenges and opportunities relating to its redevelopment.

Factors influencing the feasibility of development are considered in detail, being critical to the realisation of any urban renewal project.

It is essential to emphasise that although the focus of Part B is the former Kirrawee Brick Pit site and this is an important component of the solution, it is only part of the solution for the Shire to realise its full growth potential.

Part B concludes the Study by identifying how redevelopment of the Site could support local and state planning policies and objectives. It also tests its relevance to the draft Centres Policy tests and whether the identified development opportunity would provide an overall net community benefit.

## 2. ECONOMIC CONTEXT

As context to the Study the following Chapter provides a review of the key economic conditions, studies and government strategies that are influencing the development of centres within the Shire. This Chapter reviews the key economic factors from the global scale progressing through to the state, regional and local level.

The key matters reviewed include:

- The existing state of the global and Australian economies;
- The existing state of the NSW economy and its priorities for economic growth; and
- The current dialogue and government actions regarding the retail industry including the growth of grocery prices and restrictions to retail competition.

### 2.1 The Global and Australian Economies

#### The Global Economy

The global economy is presently in the midst of a major correction phase. The last two decades have been mainly characterised by buoyant and expansive global conditions, low interest rates (compared to the previous two decades) as well as a tendency to expand private and corporate debt. What has become known as the Global Financial Crisis (GFC) began as a result of the collapse of a property bubble in the United States of America (USA) that was irresponsibly debt financed through the US secondary mortgage market.

The secondary mortgage industry had become a profitable investment area that attracted substantial funds from a vast array of otherwise conservative investors. Its collapse triggered contingent collapses that revealed hidden widespread flaws in the global financial landscape. It appears that the fundamental financial collapse has largely been completed, though US property prices may still be overvalued and therefore represent a continuing weakness for that economy.

A contingency from the GFC has been its impact on consumption and world production. Global industrial production levels fell between April 2008 and April 2009 but have grown consistently since then. This has been partly the result of rapid and effective government stimulus programmes over the same period. A major part of the support programmes have now however been wound back and it appears that the global economy is still supporting modest growth.

Unemployment rates are equivocal with absolute unemployment continuing to increase in many countries, despite the rate of growth in unemployment falling considerably. The fall in the rate of unemployment growth is generally being seen as a positive indicator.

The cost of government stimulus measures is currently attracting some concern as they have been achieved through increases in public debt. Countries such as Greece and Portugal are especially exposed and their financial instability is a challenge to the European Union.

The World Bank's forecast for global growth anticipates 2.7% for 2010 and 3.2% in 2011 following the 2.2% decline in 2009. Despite this the World Bank has not ruled out either stronger recovery or a slide into a double dip recession.

In summary, the global economy is presently in a far stronger position than it was a year ago however there are some lingering concerns regarding the support of intervention costs and the robustness of the global economy in the absence of stimulus measures. There remains a historically high level of private and corporate debt that continues to exercise a restraint on the world's economies and consumers. Methods must be found to reduce debt and leverage levels whilst maintaining the circulation of goods and services. This remains as the underlying global economic challenge.

### **The Australian Economy**

Australia was slow to enter the global economic downturn and continues to be less affected than many of its trading partners. Australia's recent economic success has been on the back of an international minerals boom. Further, the country's financial system was less affected by the GFC. Australia also relies heavily on China and that country has been insulated to some extent from being pulled down by conditions in the US by its own internal programme of economic expansion and the nature of its political/economic system.

Nevertheless, Australia has some underlying internal economic weaknesses that are currently being tested. Household debt in Australia has rapidly risen from a stable level of about 40% of household income up to the early 1990s to a level in excess of 150% today. This fourfold increase has been largely on the back of interest rate falls and strong growth in property values, but it has resulted in a widespread housing affordability problem that has contingent impacts on household propensity to consume. It appears that part of the profile of consumption expansion over the period has been on the back of household debt growth and this growth is unlikely to continue into the future.

Australia's unemployment rate peaked at 5.8% in mid 2009 and has since fallen to 5.4%. It continues to trend downwards. This should be placed in perspective with rates in excess of 10% in each of the recessions of the early 1980s and early 1990s. At 5.4% unemployment is currently lower than at any point in the twenty five years to July 2004. Generally unemployment has not been a major problem in Australia through the GFC despite reaching a six year high point.

The Australian government has been quick to respond to the poor economic conditions. Interest rates have been lowered dramatically, direct payments have been made to households and individuals, infrastructure expenditure has been expanded, and support has been extended to the finance and business sectors. The Australian government's commitment to stabilising the economy is an important component in rebuilding confidence. Like other world economies, Australia continues to face the problem of high levels of household and private debt. This may be managed by sensitive government control. In the long term, there is confidence that the current economic cycles will not stagnate in their negative phase and once appropriate adjustments have been enacted in the economy, the longer term will be solid.

## 2.2 The New South Wales (NSW) Economy

NSW has the greatest number and diversity of businesses of all states in Australia. It is currently is home to 32.5% of Australia's population and is responsible for 32% of Australia's Gross Domestic Product. However recent growth in other Australian states has diluted NSW's premier status. In 1990 NSW had 34.2% of Australia's population and 36.5% of its economic product. Further the state's jobless rate now exceeds the national average and business investment levels are less than a quarter of the national average<sup>9</sup>. Sydney represents about 62% of the NSW population and is Australia's largest city. It is also Australia's only global city which in the past has benefited growth, especially in the finance industry.

NSW's gross product growth has fallen below the national level consistently over the last two decades with only three years since 1991 recording stronger growth than Australia<sup>10</sup>. This suggests that the poor performance of the state predates the GFC and is grounded on other causes.

NSW's population growth overall has been weaker than Australia as a whole for all but four years since 1972<sup>11</sup>. Economic performance is linked to population growth and the relative underperformance of the NSW economy may be partially the result of its failure to maintain population growth comparable with the rest of the country.

To address these matters, the NSW Government released the NSW State Plan in 2006. Priority P1(a) of the State Plan seeks to increase business investment in NSW from around \$40 billion per annum in 2006 to around \$80 billion per annum in 2016. The priority aims to make NSW a more attractive place *"to do business"* and to make NSW a more attractive location for people to want to come to work.

Priority E5 is another relevant State Plan policy to this Study as it seeks to promote employment in close proximity to home. The policy aims to create equal access to employment for the NSW labour force. By minimising the need to travel to jobs, the NSW State Plan also seeks to achieve social and environmental sustainability.

NSW in particular faces challenges to this objective as the state with the largest share of employment in the finance industry, the industry hardest hit by the GFC. In response emphasis is being placed on supporting industries that have strong multiplier impacts, which can engage a range of the workforce, accommodate a variety of labour force skills and be located in a range of geographic locations. The retail and construction industries fit these criteria and constitute significant proportions of the NSW economy.

*"The NSW Government wants to ensure the best competitive and economic outcomes are achieved in NSW."*

Department of Planning and Better  
Regulation Office

The retail sector contributed over \$18billion to the NSW economy in the year to June 2008 and generated employment for 323,929 people (11.13%).

<sup>9</sup> Unemployment in NSW in January 2010 was 5.8% compared to 5.4% for Australia (ABS Labour Force by State 6202004)

<sup>10</sup> 1997, 2000 and 2001 (ABS economic product data 5220001)

<sup>11</sup> 1979, 1987, 1998 and 2001 (ABS population data 320101 and 320109)

The construction industry is also a significant component of the economy accounting for over \$23.7billion of Gross State Product (annual to June 2008) and employing almost 7.3% of the NSW workforce as of March 2006.

The property sector reflects both the relative absolute strength of the NSW economy and its recent relative underperformance. Sydney residential property values have a long history of being the most expensive in Australia, but in recent years other cities experienced stronger growth. Since about 2004 Sydney's property growth has underperformed the Australian average and this has been particularly marked since 2004.

Generally it is recognised that values around Australia are being capped by affordability ceilings that have not previously limited price growth. This constraint has impacted on the most expensive markets first, and partially explains Sydney's recent underperformance. As other cities close on Sydney prices they are also reaching affordability ceilings.

The affordability problem has already resulted in a growing gap between real and effective demand for property:

- Real demand is based on the relationship between household growth and dwelling supply and it has been steadily increasing; and
- Effective demand is household capacity to pay for real estate and is limited by income growth and debt servicing costs.

Generally effective demand has stalled due to the confluence of several factors including property values, indebtedness, household structure and interest rates. It is difficult for real demand to effect price growth in the absence of effective demand unless the community is willing to accept an overall drop in general standard of living.

Overall, the NSW economy remains strong and solid however recognition must be made of the strong relative performance in other states. Recent policy support for growth is likely to begin to take hold once the overall economy has settled from the GFC which should mean improved longer term performance for NSW. The overall size of the NSW economy and the significance of Sydney within it both point to robust longer term prospects.

## 2.3 Grocery Prices and Retail Competition

As discussed above, the retail industry makes significant to the NSW economy. Accordingly the State Government supports and encourages its growth and diversification. The growth of the industry is also considered advantageous as it would:

- Facilitate innovation and competition across sectors;
- Encourage improvements to the quality of retail and service provision; and
- Help to minimise the loss of retail expenditure interstate or to international sales using the internet.

The growth and diversification of the retail industry can also have social benefits by improving access to a range of better quality and better priced goods and services. Australian consumers are particularly sensitive to the cost of grocery items as between 12% and 14% of their after tax household incomes<sup>12</sup> are spent per annum on basic grocery items. The price of grocery goods in recent years has however increased at a significantly greater rate (an estimated 6%<sup>13</sup>) than the headline Australian inflation rate. Furthermore the growth of grocery prices shows no present signs of abatement.

Comparing aggregates from the Organisation for Economic Co-operation and Development (OECD) data with Australian data shows that food inflation in Australia has been higher than the comparative figure for many industrialised nations.

In light of this trend and the impact to Australian households, significant debate has been generated regarding the growth in grocery prices. Some research on the topic suggested that inflated grocery prices were a result of the anti competitive retail and urban planning environment in Australia. It was argued that a result of restrictive planning laws, consumers were paying up to 18% more for basic food items and up to 28% more for household products<sup>14</sup>.

Two key factors determine the competitiveness of the retail industry:

1. Barriers to entry and expansion (particularly in relation to finding new sites) and therefore the number, size and market share of retailers, wholesalers and suppliers and scope for new market entrants or existing retailers to expand their businesses; and
2. Incentives for existing retailers to compete against each other or new retailers to enter the market to compete on price.

In response to concerns regarding retail competition and grocery prices, a number of government organisations and industry bodies undertook a series of industry reviews and investigations. Organisations included the Productivity Commission, the NSW Legislative Council Standing Committee on State Development and the Council of Australian Governments.

The Australian Government also instructed the Australian Competition and Consumer Commission (ACCC) to undertake a full inquiry into the competitiveness of retail prices for standard grocery prices. The following section profiles the objectives and key findings of the resulting inquiry.

### **ACCC Inquiry and NSW Case Law**

The ACCC inquiry investigated whether a lack of opportunity for competition in the Australian retail industry could explain the significant inflation of Australian grocery prices. The inquiry sought to investigate the full range of processes leading to the provision of grocery goods and encouraged submissions from a vast array of industry representatives.

<sup>12</sup> Based on Household Expenditure Survey (ABS cat.no. 6530.0) and Census of Population and Housing (ABS cat. No. 2003.0) data

<sup>13</sup> Urbis Retail Perspectives, June 2009

<sup>14</sup> Professor Allan Fels, Dr Stephen Beare and Stephanie Szakiel, Choice Free Zone, Urban taskforce and Concept Economics

The inquiry found that the introduction of ‘a vigorous price competitor’ such as ALDI supermarket had ‘a dynamic impact on the grocery sector and brought about a competitive response from Coles and Woolworths’.

Relevant to this Study, the ACCC Inquiry identified the *“very significant barriers to entry for large-format, one stop shop supermarkets”* as a prominent issue. The barriers included limited access to retail units within shopping centres owing to restrictive provisions on centre leases, tactics applied by major retailers to protect their interests against prospective retail developments, as well as hindered access to suitable development sites owing to planning regulation (primarily the designation of land use zones).

To address the matter of access to sites for the retail industry, the inquiry recommended that governments across Australia identified new ways to incorporate competition into planning decisions. It stated that *“Particular regard should be had to whether the [development] proposal will facilitate the entry of a supermarket operator not currently trading in the area”*.<sup>15</sup>

The ACCC recommendation marked a significant divergence from case law in NSW that found councils should not be concerned about competition between individual stores as it is a matter of fair trading. Cases such as *Fabcot Pty Ltd v Hawkesbury City Council* (97) LGERA, Justice Lloyd noted that:

*“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’...”*

### **New Market Entrants**

Whilst the ACCC Inquiry into grocery prices concentrated on supermarkets and grocery retailers, the debate regarding retail competition has also come to focus on the ability of larger, global retailers to enter the Australian market. Once again planning regulations have been identified as a hindrance to the ability for new stores to open in Australia and therefore its attraction as a place *‘to do business.’*

To exemplify this point, a report<sup>16</sup> prepared by CBRE and EMEA Research surveyed over 280 international retailers to rank the attractiveness of entering a country’s retail market. The report ranked Australia a disappointing 33<sup>rd</sup> in the world comparative to Indonesia, Mexico, Romania and Thailand. Japan, China and Singapore – other global cities in Asia that Sydney competes with, all ranked in the top 20 globally. With respect to cities, Sydney ranked 73<sup>rd</sup> internationally, Melbourne 79<sup>th</sup> and Brisbane 110<sup>th</sup>.

The low ranking of Australia and its respective major cities relates in part to the country’s geographic distance from other countries and in part to the low population densities. By comparison, retailers are more attracted to

<sup>15</sup> Report to the ACCC Inquiry into the Competitiveness of Retail Prices for Standard Groceries, July 2008, Australian Competition and Consumer Commission (Page xix)

<sup>16</sup> How Global is the Business of Retail? BB Richard Ellis, EMEA Research 2008



Europe owing to the close proximity of countries, higher population densities and coordinated trade regulations through the European Union.

Increasingly however it is being recognised that trading and planning regulations are also reducing the attraction of, and ability to for, more retailers to enter the Australian market. As a result, existing retailers in the Australian market have a monopoly on retail floorspace limiting consumer access to a range of goods and price points with major supermarket chains dominating the market.

As cited above, the ACCC recognised ALDI as one food based retailer that has successfully entered the Australian market since 2001 despite competition from powerful supermarket competitors. ALDI has however hit an important niche whereby it is able to co-locate with some of the major players in Australian food retailing owing to its 'complementary role'. It is understood that ALDI's price point has hit a cord with Australian consumers providing opportunities for shopping for bulk goods at ALDI and higher value goods at adjacent supermarkets.

Despite its success, ALDI has readily identified constraints to its continued expansion as a result of site availability in centres. With a typical store size of 1,500sqm the availability of sites is a key issue which is only exacerbated for larger international retailers such as IKEA and Costco. To exemplify this, IKEA has only one store in NSW (5 across Australia) whilst Costco has only one store in Australia, a 14,000sqm building in Melbourne Docklands which opened in August 2009

The lack of sites is not through lack of intention. Costco is the world's 12<sup>th</sup> largest retailer with over 555 stores in seven countries (not including Australia). Costco is aiming to open 5 stores in Australia by 2014 investing at least \$120 million in NSW alone<sup>17</sup>. We understand that a Development Application has recently been approved for a store in Sydney and construction is imminent. That said, industry sources suggest that finding suitable sites, in Sydney in particular, has proved difficult *"providing a substantial barrier to Costco's expansion plans"*.<sup>18</sup>

These difficulties are no doubt exacerbated by the need to find sites of sufficient scale to accommodate its traditional warehousing model and the typical 14,000sqm store.

## 2.4 Key Findings

- The global economy is presently in a far stronger position than it was a year ago but concerns remain regarding the cost associated with Government Stimulus packages and the robustness of the global economy in their absence.
- Reducing historically high level of private and corporate debt remains a key global economic challenge.
- Australia less affected than many trading partners but with household debt running at an all time high of 150%, primarily as a result of unprecedented growth in property values, housing affordability is becoming a key issue that is impacting on households desire to consume.

<sup>17</sup> Costco Thinks big for NSW Plans, the Australian Financial Review July 27 2009

<sup>18</sup> Retail's Big Guy with Plans, Property Australia, PCA Vol 23 No.10

- As the current period of economic adjustment ends, with continued Government control to manage issues associated with high levels of household and private debt, there is confidence that in the longer term the Australian economy will be strong.
- The NSW economy remains strong and solid. Recent policy support for growth (target to double 2006 GDP from \$40bn (per annum) by 2016) is likely to begin to take hold once the overall economy has settled from the GFC which should mean improved longer term performance for NSW.
- The overall size of the NSW economy and the significance of Sydney within it both point to robust longer term prospects.
- Whilst the lack of competition between supermarket retailers and restrictive planning policies are only a part of the reason for inflated grocery prices, it is recognised that they have helped exacerbate the high cost of groceries for Australian consumers. To help address this issue, the planning system is being called on to support and enhance opportunities for new supermarket operators to open within trade areas, the objective being to increase competition between retailers and therefore competitive pricing to the benefit of consumers. In this regard, planning policies should facilitate the entry of new retailers into the Australian market such as Aldi and Costco.

### 3. PLANNING POLICY CONTEXT

With a broad appreciation of recent macro-economic trends and drivers this Chapter provides an overview of relevant planning policy context at all levels. This Chapter has a particular emphasis on planning policies that will have a significant influence on how Centres in the Shire can support economic growth and in turn enhance the health and wellbeing of the local community.

The most pertinent policy documents are summarised below.

#### 3.1 NSW State Plan, a New Direction for NSW

As mentioned in Chapter 4, the NSW State Plan sets government priorities and actions to meet the needs of the community. The Plan extends across a range of government organisations and aims to coordinate actions between these organisations in order to achieve agreed targets. The plan identifies a number of long term goals and priority actions.

Of particular relevance to this Study is the plan's priority to increase densities in centres and concentrate activities near public transport, supported by an improved transport system, in order to achieve 'jobs closer to home'.



Other relevant goals and priorities include:

- Increasing prosperity across NSW by increasing business investment;
- Increasing the percentage of the population living within 30 minutes by public transport of a city or major centre in the Greater Metropolitan Sydney;
- Delivering a supply of land and housing that meets demand; and
- Improving urban environments through cleaner air and reduced greenhouse gas emissions, by creating jobs closer to home, enhancing the affordability of housing and improving the efficiency of the road network.

#### 3.2 State Infrastructure Strategy (2008 - 2018)

The State Infrastructure Strategy (SIS) identifies new and improved infrastructure projects to meet the priorities of the NSW State Plan. The Strategy identifies \$140bn of investment in infrastructure over the period of 10 years, the largest capital investment period in NSW's history.

The Strategy recognises that there are seven key drivers of infrastructure demand in NSW being:

- Population growth and distribution;



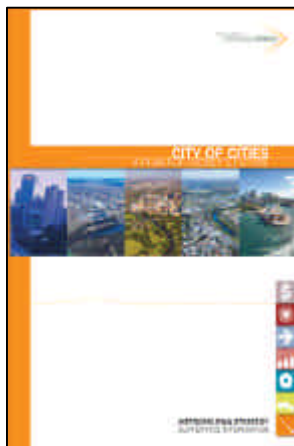
- Ageing and longevity;
- Technological change;
- Industrial and commercial developments;
- Infrastructure renewal;
- Environmental issues; and
- Cost pressures.

The Strategy highlights the importance of an adequate supply of appropriate, well serviced and well located land to be zoned for industrial and commercial uses.

It recognises the shift away from employment in manufacturing towards more knowledge based industries including pharmaceuticals, communications technology and advanced manufacturing. In recognition of the changing nature of industry in NSW, the SIS also recognises that many of these activities will locate within business parks as opposed to traditional industrial lands. Accordingly new and appropriate infrastructure is required to support the growth of these employment areas.

An important project relevant to the Shire that commenced under the Strategy is the Rail Clearways engineering works. This involves the duplication of the Cronulla Line and upgrades to a number of stations within the LGA, including Kirrawee, to accommodate increased services.

### 3.3 The Metropolitan Strategy, City of Cities (2005)



The Metropolitan Strategy was prepared to facilitate the growth and development of Sydney as a Global City over a 25 year period. It forecasts that Sydney's population will grow by 1.1m people from 4.2m to 5.3m by 2031 (from a base year of 2004).

To accommodate this growth the Strategy identifies various targets including the:

- Development of 640,000 new dwellings;
- Generation of 500,000 new jobs;
- Provision of 7,500ha of new industrial lands;
- Development of 6.8 million sqm of additional commercial floorspace; and
- The development of 3.7 million sqm of additional retail space.

Relevant to this Study is the vision that *'over three quarters of new housing will be located in strategic centres, smaller centres and corridors within walking distance of shops, jobs and other services concentrated around public transport nodes.'*

The Strategy identifies five specific aims being:

1. To Enhance Liveability: by ensuring a choice of housing is provided that is in keeping with demographic needs, close to services and that protects the character of the environment and community;
2. Strengthen Economic Competitiveness: by increasing the city's competitiveness and sharing the benefits across the region;
3. Ensure Fairness: through access to jobs, services and lifestyle opportunities through the provision of aligned services and enhanced public transport close to where people live;
4. Protect the Environment: by reducing the city's use of natural resources and the production of waste; and
5. Improve Governance: by improving the quality of decision making and community confidence.

Underpinning the five aims above are seven strategies that comprise a series of actions for implementation. Of particular relevance to this Study are the following:

### **Economy and Employment**

To encourage economic growth suitable commercial sites and employment lands (A1) should be provided in strategic areas by:

- Using subregional employment capacity targets and planning for sufficient zoned land and infrastructure to achieve these targets in employment lands;
- Establishing a framework for the development of business parks; and
- Facilitating the use of old industrial areas.

A second action is to increase Innovation and Skills Development (A2) by strengthening existing clusters of industry. It is also recognised that opportunities and access to jobs for disadvantaged communities (A3) should be addressed when considering the location of future developments.

### **Centres and Corridors**

The City of Cities strategy advocates development in centres and along corridors. This is to ensure that all types of Economic Activity and Employment can be provided across the Sydney Region (B1). Within the centres it is envisaged that densities of development should be increased (B2) whilst enhancing standards of liveability. Strategic Centres are seen as appropriate locations for business clusters and knowledge based activities (B3).

A key driver behind the principle of encouraging growth in centres and along corridors is the ability to encourage non car borne journeys, by concentrating activities near public transport (B4).

## Housing

A key issue for Sydney is the ability to provide an adequate supply of affordable homes to cater for the growing population. As such a series of actions are identified in the Metropolitan Strategy including the need to ensure there is an adequate supply of land and sites identified as being suitable for residential development (C1). Suitable land and sites should be located close to jobs, transport and services (C2). By increasing the supply it is hoped that prices will become more affordable (C4).

The Strategy also seeks an improved quality of new development and urban renewal (C5).

## Transport

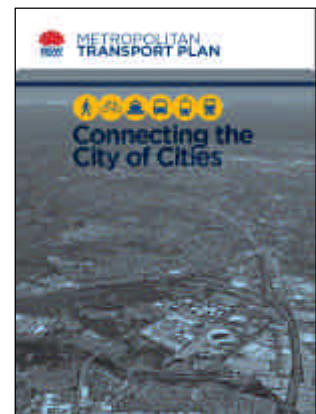
Consistent with the actions identified above the Strategy identifies a specific action to influence travel choices in order to encourage a greater number of sustainable journeys (D3).

A five year review of the Strategy has commenced in order to assess its current progress and relevance. The focus of the review is set out in the Discussion Paper Sydney Towards 2036 and is further discussed below.

## 3.4 Metropolitan Transport Plan (2010)

The Metropolitan Transport Plan, Connecting the City of Cities, sets out a 25 year vision for Sydney's transport planning and is supported by a 10 year funded package of transport infrastructure. The Plan is intended to be read in conjunction with the Metropolitan Strategy which together provides a holistic strategy for Sydney Metropolitan.

By integrating the two plans, the future approach to land use planning is based on a policy of concentrating development and supporting transport services in Sydney's centres. Key to this Study is the vision that *"Much of Sydney's growth challenge will be met by making the most of the city's existing urban areas. New housing, workplaces, public spaces and improved transport will be integrated to achieve genuine renewal."* Under the Plan, the State Government will also set up a Sydney Metropolitan Development Authority to coordinate future transit-oriented development and urban renewal.



The 10 year program will be built into the NSW State Budget and the State Infrastructure Strategy and comprises of \$50.2 billion in spending. More than \$7 billion is dedicated in new or expanded transport infrastructure and services. A key part of the plan includes building capacity within the rail network. Investment under the plan aims to allow CityRail to increase services by 50% adding six more trains per hour on most suburban rail lines.

The Metropolitan Transport Plan also uses the Department of Planning latest employment and dwelling targets for the Sydney Metropolitan Region over the period from 2006-2036.

Under the Plan, Sydney is expected to accommodate the development of 699,800 dwellings and generate an additional 713,920 jobs by 2036. It is envisaged that between 2006 and 2036 the South Subregion will need an additional 52,900 dwellings and 47,530 new jobs.

While these targets differ from those set in the NSW Metropolitan Strategy and their respective subregional strategies (as discussed below) it should be noted that the Department of Planning is expected to recognise these as their official employment and dwelling targets.

**Figure 1 - Revised Dwelling and Employment Projections 2006- 2036**

Required new dwellings and employment capacity across Sydney, 2006-2036 <small>SOURCE: NSW DEPARTMENT OF PLANNING</small>		
SUBREGION	ADDITIONAL DWELLINGS	ADDITIONAL EMPLOYMENT CAPACITY
East	25,800	31,850
North East	20,400	23,490
Inner North	39,400	51,350
North	26,600	19,540
South	52,900	47,530
South West	179,200	105,150
North West	163,700	166,160
West Central	91,500	113,170
Inner West	37,300	25,100
City of Sydney	63,000	130,580
	<b>699,800</b>	<b>713,920</b>

### 3.5 NSW Draft Centres Policy



Source: NSW Department of Planning

In response to the ACCC Inquiry's call for governments to address how state planning controls may increase retail competition, the NSW DoP released the draft NSW Centres Policy for Commercial and Retail development (the draft Centres Policy). The policy forms an important consideration in this Study of centres.

To date the draft policy has been publicly exhibited. The DoP is presently reviewing public submissions made in relation to the draft policy.

The draft Centres Policy was prepared not only in light of the need to enhance opportunities for competition in NSW but also in light of the recent changes to the state's economic climate. The draft policy seeks to replace SEPP 66 (Integrating Land Use and Transport).

A clear and important message provided by the policy is that the market is best placed to determine the need for development and the supply of available floorspace to accommodate demand. In light of this position, the policy advocates six key principles. The principles relate to:

1. The need to **reinforce the importance of centres and clustering** business activities;
2. The need to ensure the planning system is **flexible, allows centres to grow and new centres to form**;



3. The market is best placed to determine need. The **planning system should accommodate this need** whilst regulating its location and scale.
4. Councils should **zone sufficient land** to accommodate demand including larger retail formats;
5. Centres should have a **mix of retail types** that encourage competition; and
6. Centres should be **well designed** to encourage people to visit and stay longer.

The following section expands on these principles and indicates how they seek to impact matters such as competition, market demand, centre growth and development.

### **Competition and Market Demand**

The draft Centres Policy has a strong emphasis on the need for competition between retailers. To achieve this objective, the policy requires Council's to zone sufficient areas of land to enable additional (and particularly new large format retailers) to enter into the NSW market.

Additional retail floorspace is required to address the existing undersupply across the State and to help meet the significant forecast growth in demand. Councils should promote and encourage appropriate retail development in their respective localities in order to meet minimum floorspace targets.

These targets are established by the policy as a minimum of 2.0sqm per capita and will increase over the next 25 years.

### **The Expansion of Existing Centres and the Development of New Centres**

The policy reinforces the benefits of concentrating retail and business uses within centres. These benefits are based on environmental and economic reasons for clustering land uses. By way of example, focusing uses within centres has been justified on the basis of the efficient use of infrastructure, the economic efficiencies and productivity gains of agglomeration and the ability to meet the needs of the communities they serve.

The draft Centres Policy recognises that centres are required to vary with respect to their type, scale and mix of uses in order to accommodate local demand. It also calls for the flexible planning of centres to ensure *"they exceed the likely future demand for large sites for shopping centres, supermarkets and customer parking"*.

Whilst the policy supports the growth of existing centres in NSW, it recognises that in some locations supply may not meet demand. In these cases *"additional land should be identified and rezoned"* by local planning authorities. A range of lands may provide opportunities for rezoning including employment lands, land adjacent to stand alone centres or busy roads in addition to residential areas. The suitability of this land should be assessed against a range of criteria including infrastructure capacity, urban design and demand for alternative uses.

It is also recognised that *"acquiring appropriately zoned sites within existing centres may not always be practical or feasible particularly if large format sites are required"*. Accordingly the draft Policy advocates the use of planning mechanisms, such as floorspace bonuses, to increase retail and commercial development within centres.

The draft Centres Policy recognises that owing to market demand, some development proposals may not accord with the permitted land use. In such cases, the development may be justified subject to analysis conducted in a net community benefit test during the gateway process. The justification to proceed with any rezoning to facilitate the expansion or creation of a new centre should take into consideration the public interest and the consequence of not proceeding with the change in land use.

### **Promoting Economic growth and Competition through the Planning System – Review Report**

The DoP has recently published a review of the consultation responses providing further clarity as to the direction the Draft Centres Policy may take when adopted.

Of particular relevance to this Study are the following recommendations:

- Competition between individual businesses is not in itself a relevant planning consideration. Accordingly the loss of trade for an existing business should not normally be considered a relevant planning consideration;
- A planning authority should not consider the commercial viability of a proposed development;
- LEP and DCP's should not place any restrictions on the number of a particular type of retail store or its proximity to similar stores;
- It is increasingly important for the DoP to consider ways to increase opportunities for competition by allowing more types of shops into centres that currently only permit 'neighbourhood shops'; and
- Planning policies and instruments should not be applied retrospectively with only policies and instruments in place at the time of lodgement of the application being relevant to the decision unless valid planning reasons exist such as environmental concerns.



## 3.6 Metropolitan Strategy Review - Sydney Towards 2036

The scheduled five yearly review of the Metropolitan Strategy – City of Cities commenced in March 2010 with the release of the discussion paper Sydney Towards 2036. The paper reviews



the current progress of the Metropolitan Strategy 2005 and aims to identify and respond to existing challenges that have not been sufficiently addressed over the last five years. The paper brings to light a number of strategies to enable the Greater Metropolitan Region to respond to new challenges including revised population targets, housing affordability, the Global Financial Crisis and climate change.

The targets contained within the current Metropolitan Strategy and the period it covers has been realigned with those set out in the recent Metropolitan Transport Plan. Together these two plans will guide the Subregional Strategies which also will be progressively revised, albeit they have not yet been adopted.

Sydney Towards 2036 builds on the structure of the Metropolitan Strategy and focuses on achieving 760,000 new jobs and 770,000<sup>19</sup> more homes, together with associated improvements to transport and infrastructure. Importantly both parts of the strategy recognise that development, or growth, should take place in the right locations and specifically existing urban areas with good access to public transport.

*"Rail and Strategic bus corridors will play a key role unlocking social and economic value of all the local centres (Neighborhoods, Villages and Towns)..."*

NSW Department of Planning, Sydney towards 2036

The paper sets out a number of proposed directions and questions to be considered by stakeholder and the community. Of particular relevance are directions to improve the capacity of Sydney to accommodate:

- More jobs, with a focus on Western Sydney and locating jobs close to where people live (Direction 4). The Paper states that journeys to work currently account for one third of the kilometres travelled by Sydney residents and reducing the need for this journey will result in "significant lifestyle benefits";
- More housing, particularly within existing urban areas (Direction 6). Specific consideration is given to understanding how the planning system can support investment in new and existing centres and determining those elements that are considered essential to a vibrant centre;
 

*"From 2008-2018 more than 90,000 dwellings need to be built within walking distance of transit nodes."*

NSW Department of Planning, Sydney towards 2036
- Changing housing needs (Direction 7). The Paper refers to an Australian trend towards smaller average household sizes (2.51 in 2031) meaning that smaller one and two bed dwellings should be planned for; and
- Encouraging urban renewal and building communities through redevelopment (Direction 9). The Paper states that urban renewal is about "transforming under-used or dilapidated areas". The review emphasises mixed use development as a key strategy to encourage the vitality of centres, promote social cohesion and develop sustainable living practices. Accordingly the integration of a wide range of land uses and activities is encouraged. Existing Centres are seen as the focus for urban renewal.
 

*"Centres in urban, outer suburban, new release and many rural areas will need to change and expand over coming years."*

NSW Department of Planning, Sydney towards 2036

It is interesting to note the guidance provided within the Paper with regards to making decisions for future developments. Amenity, transport and economic matters all need to be considered in a holistic way.

<sup>19</sup> Hill PDA notes that the Dwelling target in the Metropolitan Strategy Review is slightly higher than that within the Metropolitan Transport Plan.

### 3.7 Draft South Subregional Strategy

Sutherland Shire LGA falls within the South Subregion of Sydney and therefore relevant policies are set out within the South Subregion Draft Subregional Strategy that was prepared in accordance with the 2005 plan City of Cities. Consistent with the overarching Metropolitan Strategy, the South Subregion Draft Subregional Strategy provides a range of actions and objectives for the Region covering themes such as: economy and employment, centres and corridors, housing, transport, environment, heritage and resources, culture and governance.



Relevant to this Study, the South Subregion Draft Subregional Strategy provides a number of targets, aims and objectives over a 25 year timeframe to 2031 for both the Region and specific to the Shire.

Key visions for the South Subregion by 2031 include:

- Providing a superior lifestyle and amenity, allowing residents to live and work within the subregion;
- Retaining its high quality environmental, tourism and lifestyle attributes; and
- Having a diverse community supported by a greater range of housing choice.

Accordingly, the South Subregion Draft Subregional Strategy sets a dwelling target of accommodating an additional 35,000 dwellings within the subregion by 2031. This represents 7.8% of the total dwelling target set for Sydney's existing areas. By 2031, the population of the South Subregion is expected to grow to over 676,000 people. To accommodate this growth, the strategy set a target of 10,100 additional dwellings for the Sutherland LGA. It requires that 80% of dwelling growth occur within defined radii of identified centres.

A key direction for the Subregion is to identify and investigate renewal. In addition, an increase in housing densities was seen as a method of improving the mix of housing types in the Subregion (addressing the existing predominance of low density, detached and high value housing stock) whilst meeting broader centre objectives to increase vitality and make better use of existing infrastructure. The Strategy recommends that to achieve housing growth, it will be necessary to increase densities through medium density development in the Region's Major Centres, Towns, Villages and Neighbourhood centres. In addition densities should be increased in areas benefiting from projects identified in the State infrastructure Strategy such as the Cronulla Rail Corridor.

The South Subregion Draft Subregional Strategy raises the issue that appropriate roles for Caringbah, Miranda and Sutherland centres must be established.

The South Subregion Draft Subregional Strategy suggests that Sutherland Town Centre could build on its current local administrative role and grow to a potential Major Centre which may accommodate higher order jobs, services and cultural events. As such, it is forecast to accommodate a share of 6,000 additional jobs with other listed potential major centres.

Caringbah and Miranda Town Centres are also recognised as having potential for employment and residential growth as they are strongly supported by rail and road infrastructure as well as the presence of Sutherland Hospital. An eventual merger of the two centres is inferred, albeit they should have complementary and not competing roles with Miranda having a service/retail focus and encouraging the growth of the bio medical sector within Caringbah.

## 3.8 Draft Housing Strategy

The Sutherland Draft Housing Strategy provides a series of options and strategies to assist Council to achieve the target (set within the draft Subregional Strategy) of 10,100 additional dwellings for the LGA. Accordingly, the Housing Strategy is a key document that is intended to guide housing supply up to 2031.

The Draft Strategy identifies issues and challenges regarding housing supply in the Sutherland Shire relating to the following areas:



- Population change;
- Dwelling numbers;
- Increase in single and two person households;
- Ageing of the population;
- Inability to cater for natural population growth; and
- Housing affordability.

A key aim of the report is to maximise the wider public benefits from redevelopment. It recognises that the provision of additional housing within close proximity to centres can assist in the economic revitalisation of the commercial and retail precincts adjoining these areas. Of particular relevance, are comments noting the importance of increasing the demand for retail and other services in order to contribute to the overall economic strength of the Shire. Further, the report notes the potential for neglected individual sites to be redeveloped '*to create a modern and vibrant focus for the local community, allowing for a competitive retail market and further supporting the needs of the residents*'.

The Housing Strategy assesses the potential of each centre to accommodate growth according to the following criteria:

- Accessibility;
- Development / redevelopment potential;
- Economic potential for local benefits;
- Potential contribution to community character and vitality;
- Environmental risk and desirability of development;
- Residential quality and amenity; and
- Fit in with existing centre characteristics.

Caringbah, Miranda, Sutherland, Engadine, Jannali were all identified as being highly suitable to accommodate growth.

Cronulla, Gymea, Kirrawee, Loftus, Woollooware, Como and Woollooware Station were classified at a level of medium suitability and therefore having potential for some growth whereas Menai, Illawong, Kareela, Bangor, Heathcote, Kurnell and Sylvania were classified as being the least suitable centres.

## 3.9 The Shire Vision

*Our Shire, Our Future: Our Guide to Shaping the Shire to 2030* is a Strategic Plan for the Sutherland Shire LGA. The Vision was developed in consultation with the Shire Community and sets out a number of goals to guide the LGA to 2030.

Objectives and actions for the LGA focus on three components: people, places and nature and are helpful to inform the context of the Study. Key directions include the creation of:

- Local suburban activity centres that support a healthy local economy and build a sense of community;
- A healthy and active community with appropriate activities and services for all stages of the life cycle; and
- Greater housing choice to suit a changing population, increased access to housing and design that is sustainable within the environment.

## 3.10 Other

A profile of additional local and state planning policies and strategies, relevant to this Study, has been included in Appendix 1. This includes environmental constraints plans which are an important factor to consider when assessing the availability of land for development and abnormal costs that may need to be addressed.

## 4. DEMOGRAPHICS CHARACTERISTICS OF SUTHERLAND SHIRE

The following Chapter provides a profile of the residents of Sutherland Shire. This analysis was undertaken to provide a better understanding of the employment, socioeconomic, lifestyle and social characteristics of the Shire's residents and employees in comparison to the Sydney Statistical Division (SD). This analysis will in turn inform the requirements for future employment related land uses and housing types.

For the purposes of this Chapter, two main sources of data have been used, the Australian Bureau of Statistics (ABS) Census Data (2001 and 2006) and the Transport Data Centre's<sup>20</sup> (TDC) Journey to Work Data (2006).

The ABS Census collects information by household as to what occupation and industry the household's residents are employed. It also collects data concerning where people work and how they travel to work. The TDC configures the ABS' Journey to Work data to calculate the number of jobs within a given locality by industry and the number of residents within a locality travelling to other areas for work in given industries. It is important to note that the TDC figures can differ from ABS data, generally representing a greater number as it accounts for errors and undercounts that may have occurred at the time of the census survey.

The size of the resident workforce refers to the number of people living within an area that work in or outside of that area. Jobs or employment by area on the other hand refers to the number of people stating they work in that given area. They may live in, or outside of that area.

The matching of 'place of work' by residents who live and work in a defined area with work generated in that area defines job containment.

### 4.1 General Demographic Characteristics of the Shire

As of the 2006 Census, Sutherland Shire had a population of 205,448 residents. This represented a modest population increase of 1.6% (an average of 0.32% per annum) from the 2001 census. The number of dwellings had increased however in the Shire over the same period by 3.4% (or 0.68% per annum) indicating the growing proportion of residents living in smaller households and reflecting the modest increase in the number of townhouse and unit style dwellings in the Shire over that period.

As of 2006 a significant proportion (80%) of the Shire's residents had been born in Australia or Oceania. This proportion contrasts significantly to the same statistic for the Sydney SD whereby 63% of residents were born in Australia or Oceania and 73% of residents in NSW. Notwithstanding this difference, the proportion of the Shire's residents born in Australia or Oceania had declined since the 2001 Census by 3% thus indicating the growing range of cultures in the Shire.

<sup>20</sup> The Transport Data Centre forms part of the Ministry of Transport



As of 2006 the Shire had a greater median age (37 years) than the Sydney SD (35 years) with the main differences being in the middle age brackets (45-54 years) where Sutherland had a greater proportion of residents. A comparison to the 2001 ABS Census shows that the population has aged over the census period where in 2001 a greater proportion of residents were within the 30-44 year bracket and there was a greater proportion of children in the 0-14 year bracket than the Sydney SD. To exemplify this trend, as of 2001 64% of the Shire's population was under the age of 30 years, by 2006 this had decreased to 61%.

## 4.2 Population Targets and Forecasts

The ABS conservatively forecasts that the Sydney Metropolitan Area will gain an additional 1.5 million residents by 2036 thus raising concerns as to how and where Sydney could grow to accommodate this growth. The higher end of the forecast is 1.9million additional residents by 2036.

The NSW Department of Planning (DoP) is using the midpoint of these forecasts for the review of the Metropolitan Plan and the subsequent review of the dwelling targets for each of Sydney's Subregions. The target established for the South Subregion by the Metropolitan Strategy 2005 was 35,000 dwellings by 2031.

The target was refined by the South Subregion Draft Subregional Strategy for each applicable LGA in the Subregion. Accordingly the target for the Shire was established as 10,100 additional dwellings between 2001 and 2031. Applying an average household size of 2.7<sup>21</sup>, this translates into 27,270 additional residents over the 30 year period or an additional 900 residents in the LGA per annum.

As discussed in the preceding Chapter, the Metropolitan Strategy is presently under review by the DoP. The review has revised the dwelling targets for each subregion in Sydney. The revised dwelling target for the South Subregion is 52,900.

The review of the Metropolitan Plan does not however provide the revised targets to the LGA level. To identify what the revised target may be for Sutherland Shire we have apportioned the same ratio applied by the draft South Subregional Strategy. **Taking this approach, Sutherland LGA would have a dwelling target of 15,265 between 2006 and 2036. If achieved, this dwelling target could translate into an additional 38,162<sup>22</sup> residents in Sutherland LGA or an additional 1,272 per annum over the 30 year period. Based on the comparative analysis above, it is evident that the dwelling targets for Sutherland Shire have been increased by the DoP following the recent review.**

Whilst the DoP provides dwelling targets for each subregion and LGA within the Sydney Metropolitan Region, it points out that a target can differ significantly from a forecast. The most recent population forecasts undertaken by the DoP at an LGA level have not as yet been released. We understand however that they have been based on the same assumptions as the TDC forecasts released in October 2009. The forecasts by five year increments are shown below.

<sup>21</sup> Average household dwelling occupancy for Sutherland LGA recorded by the ABS 2006

<sup>22</sup> Based on a lower dwelling occupancy of 2.5 to allow for continuing trend of declining household size

**Table 1 - Population Growth Forecasts for Sutherland Shire 2006-2036**

Year	2006	2011	2016	2021	2026	2031	2036	Net change	Net Change / Annum
TDC Forecast	212,531	218,832	222,291	226,220	229,752	233,780	238,455	25,924	864
DoP Forecast	212,500	218,800	222,300	226,200	229,800	233,800	238,500	26,000	866

Source: TDC Population Forecasts Released October 2009 and DoP forecasts released April 2010

Table 1 above shows that over a 30 year period the Shire is forecast to experience population growth in the order of 26,000 people or 865 additional people per annum. It appears that the recently published DoP figures are closely aligned to those previously released by TDC.

Comparing DoP forecasts for population growth within the Shire (as Shown in Table 1 above) with the likely revised DoP housing target of 15,265 dwellings (which translates into an aspirational target of 38,000 additional residents) there is an apparent mismatch. That is, the aspirational target of 38,000 additional people residing in the LGA by 2036 is some 12,000 residents greater than the current population forecasts. This infers that residential growth must be encouraged and supported in the Shire to support Sydney's ability to accommodate anticipated growth and lifestyle changes.

## 4.3 Housing Characteristics

As of 2006, based on ABS Census Data, Sutherland LGA had a significantly higher proportion of residents (76%) owning or purchasing their dwellings in comparison to the Sydney SD (65%). Furthermore the proportion of residents owning or purchasing their dwellings had increased from 74% since the 2001 Census thus indicating the growing popularity of the Shire as a permanent location of residence and its relative affordability to other markets in the Sydney Metropolitan Region.

Accordingly the number of dwellings being rented in the Shire was significantly lower (21%) in 2006 than the Sydney SD (31%) which may also be indicative of its relative affordability as a place to purchase and for permanent residence. This compares to other locations in Sydney that provide a greater proportion of rental accommodation and more transient accommodation for younger workers and students. Furthermore, as the LGA had a greater proportion of dwellings recorded as separate houses (68%) compared to the Sydney SD (64%) in 2006, the existing housing market may be better catered to the owner occupier market as opposed to higher density centres that provide a mix of permanent and rental accommodation.

As of 2006 the Shire had a greater share of its households living within family groups (76%) compared to the Sydney SD (73%). In addition, there was a greater proportion of households recorded as couples with children (51%) than the Sydney SD (49%). The proportion of couples with children in the Shire fell significantly however (by 16%) from the 2001 Census. This trend may be indicative of a number of factors including the ageing of the population, declining fertility rates as well as the Shire's growing popularity with professional couples without children.

**Table 2 - Proportion of Homes Owned / Being Purchased or Rented in Sutherland Shire 2001 - 2006**

Home Ownership	Sutherland LGA 2001	Sutherland LGA 2006	Sydney SD 2006	NSW 2006
Owned or Being Purchased	74%	76%	65%	67%
Rented	20%	21%	31%	30%
Other/Not Stated	6%	3%	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ABS Census 2001, 2006

## 4.4 Employment Profile

Sutherland Shire's labour force as of 2006 was characterised by low unemployment rates (2% compared to the Sydney SD of 5%) and strong representation in key industries such as Community and Personal Services, Clerical and Administrative Workers, Sales Workers, Technicians and Trade Workers.

Between the 2001 and 2006 Census years however, an emerging trends was the growing proportion (+7% from 28%) of the labour force employed as Managers and Professionals. This shift is indicative of a changing trend in how we work in the Sydney Global City as well as the growing attraction of the Shire to residents within a higher socioeconomic group.

**Table 3 - Labour Force Characteristics of Sutherland Shire's Resident Workforce 2006**

Industry	Sutherland LGA 2006	Sydney SD 2006	NSW 2006
Managers	14%	12%	13%
Professionals	21%	23%	20%
Community & Personal Services Workers	9%	8%	8%
Clerical and Administrative Workers	18%	16%	14%
Sales Workers	10%	9%	9%
Technicians & Trade Workers	14%	12%	13%
Machinery Operators & Drivers	4%	6%	6%
Labourers & Related Workers	6%	8%	9%
Inadequately described or N.S.	2%	2%	2%
Unemployed	3%	5%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ABS Census 2006

## 4.5 Income Profile

As of 2006, one in four households in the Shire had a weekly income in the \$1,000-\$1,499 bracket. One in five household's earned in the \$1,500-\$1,999 bracket. These income brackets represent the medium to high income brackets recorded by the ABS Census and compare favourably to the proportion of residents recorded in these brackets for the Sydney SD and NSW averages. The only exception to this characteristic was the highest income bracket (\$+2000 per week) where Sutherland LGA had a lower proportion (by 2%) of household incomes recorded in comparison to the Sydney SD and compared to NSW (by 3%).

In light of the above, it therefore follows that a lower proportion of households (45%) were recorded for Sutherland Shire in the lower weekly household income brackets (i.e. \$0 - \$999) than for the Sydney SD (51%) and NSW (58%) thus indicating the relative affluence of the Shire to the Sydney SD.

As of 2006 the Shire had a median weekly household income of \$1,374 that was above that of the Sydney SD of \$1,154. The superior median household income and proportion of households in higher income brackets indicates that incomes in the Shire are greater than which would be expected based on observations of occupational profile alone.

**Table 4 - Weekly Household Incomes (\$) for Sutherland LGA 2006**

Weekly Household Income Bracket	Sutherland LGA 2006	Sydney SD 2006	NSW 2006
\$0-\$299	10%	13%	15%
\$300-\$599	15%	18%	21%
\$600-\$999	20%	21%	22%
\$1,000-\$1,499	25%	21%	19%
\$1,500-\$1,999	19%	16%	12%
\$2,000+	9%	9%	8%
Partial income stated	2%	3%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Median</b>	<b>\$ 1,374</b>	<b>\$ 1,154</b>	<b>\$ 1,036</b>

Source: ABS Census Data 2006

## 4.6 Where do Sutherland Shire Residents Work?

The cross tabulation of ABS Journey to Work census data (2006) allows for the assessment of where the Shire's residents are travelling for the purposes of employment. The assessment shows that 38% of Sutherland's resident workforce also works within the Shire. Accordingly based on ABS data, the Shire has a 38% job containment level. Conversely 62% of the Shire's workforce travel's outside of the LGA for employment.

This low rate of job containment (one of the lowest in the Sydney Region) in part relates to the inadequate number of jobs generated in the Shire (approximately 54,000<sup>23</sup>) in comparison to the resident workforce (107,000 as of 2006). It is also likely to relate to the partial mismatch between the employment skills of the resident workforce (a high proportion of white collar workers and persons employed as professionals) in comparison to the nature of employment offered in the Shire (i.e. largely focused towards industrial uses and retail). An additional contributing factor is Sutherland LGA's good transport links to areas such as Sydney City and the Global Economic Arc that enable the local workforce to live in the Shire and commute daily to these locations.

In light of the above factors, it therefore follows that the single greatest share (16%) of the Shire's residents working outside of the LGA in 2006 worked in the City of Sydney LGA. Following the City of Sydney, the next

<sup>23</sup> Note this figure differs from the TDC estimate of employment generated in the LGA of 66,000 as the TDC factors in Census undercount

major destinations for work was Botany Bay (5%) followed by neighbouring LGA's in the South Subregion including Kogarah (3.7%); Hurstville (2.9%) and Rockdale (3.2%). The exception being Bankstown LGA which attracted 3.7% of Sutherland's workforce as of 2006.

**Table 5 - Where the Sutherland Shire's Workforce Travels for Work**

LGA	Number	Proportion
Sutherland Shire	40,853	38.2%
Sydney City	16,851	15.8%
Botany Bay	5,544	5.2%
Kogarah	3,951	3.7%
Bankstown	3,913	3.7%
Hurstville	3,113	2.9%
Rockdale	3,428	3.2%
Randwick	1,846	1.7%
Liverpool	1,732	1.6%
Canterbury	1,539	1.4%
Other	21,056	19.7%
<b>Total</b>	<b>106,939</b>	<b>100.0%</b>

Source: Journey to Work, ABS Census Data 2006

## 4.7 Where do Sutherland Shire Employees Live?

Of the 54,500 jobs generated within Sutherland LGA (as recorded by the ABS Census 2006), 75% were taken by local residents. This is a considerable proportion and indicates the willingness of the Shire's residents to live and work locally. Following the Shire, the second highest proportion of employees traveled from Canterbury LGA (4.9%). Following Canterbury the origins of persons employed in the Shire reduces significantly to less than 1% from any single LGA.

**Table 6 - Where Persons Employed in Sutherland Reside**

LGA	Number	Proportion
Sutherland Shire	40,853	74.9%
Canterbury	2,672	4.9%
Wollongong	303	0.6%
Liverpool	141	0.3%
Sydney City	186	0.3%
Campbelltown	105	0.2%
Hurstville	119	0.2%
Rockdale	58	0.1%
Kogarah	51	0.1%
Bankstown	56	0.1%
Randwick	41	0.1%
Other	9,979	18.3%
<b>Total</b>	<b>54,564</b>	<b>100.0%</b>

Source: Journey to Work, ABS Census Data 2006

## 4.8 How Do Sutherland Residents Travel to Work?

As discussed above, the Shire has a low level of job containment meaning that the majority of local residents in the workforce are required to travel outside of the LGA for employment. Whilst many local residents traveled to work destinations by train (9%) the vast majority (64% still traveled to work by car (either as a driver or passenger). This proportion was significantly higher than the Sydney SD at 59% and reinforced by the fact that the majority of households in the Shire (56%) were recorded as having two or more cars (compared to 44% of the Sydney SD). In keeping with the Sydney SD, 4% of the Shire's residents worked at home.

## 4.9 Key Findings

In summary the key findings of this Chapter are:

- The Shire had an estimated population of 212,531 people as of 2006. It is forecast to achieve additional population of 25,924 people by 2036 or an additional 864 people per annum;
- Should the revised DoP dwelling targets (15,265 dwellings) be achieved in the LGA by 2036, the resulting net population growth would be far greater at 38,000 people or 1,272 additional residents per annum;
- The proportion of couples with children in the Shire fell significantly (by 16%) between the 2006 and 2001 Census. This trend may be indicative of a number of factors including the ageing of the population, declining fertility rates as well as the Shire's growing popularity with professional couples without children;
- As of 2006 the Shire had a median weekly household income that exceeded the Sydney Average;
- As of 2006 the Shire had a resident workforce of close to 107,000 and generated 54,000 jobs;
- As of 2006 the Shire had a low level of job containment (38%) meaning that the major portion of the resident workforce (62%) was required to travel to other LGAs for employment opportunities with the largest single share (17%) travelling to Sydney City; and
- Of the jobs provided in the Shire, as of 2006 a high proportion (75%) were taken by local residents.

## 5. DEMAND FOR EMPLOYMENT LAND

The following Chapter calculates the growth in demand for employment generating uses (industrial and commercial) within Sutherland Shire over the Study period. The analysis provided by this Chapter will enable a better understanding of how the Shire's centres and employment lands will need to grow and change to accommodate forecast employment demand. Chapter 6 complements this Chapter by providing an estimate of forecast growth in demand for retail floorspace.

For the purposes of this Chapter the Transport Data Centre's (TDC) Journey to Work Data 2006 has been used. The TDC configures the ABS' Journey to Work data to identify the number of jobs within a locality by industry and the number of residents travelling to other locations for work in given industries. It is important to note that the TDC figures can differ from ABS data, generally representing a greater number as it accounts for errors and undercounts that may have occurred at the time of survey.

The size of the resident workforce refers to the number of people living in an area that work in or outside of that area. Jobs or employment by area on the other hand refers to the number of people stating they work in that given area. They may live in, or outside of that area. In keeping with the definitions of Chapter 5 the matching of 'place of work' by residents who live and work in that LGA or defined area with work generated in that area defines job containment.

### 5.1 Existing Employment by Industry

In accordance with TDC estimates, Sutherland LGA generated over 66,000 jobs in 2006<sup>24</sup>. The top five employment generating industries shown in Table 7 below were Retail (17.0% of all jobs), Health Care and Assistance (close to 12% of all jobs), Accommodation and Food Services (8.0% of jobs), Education and Training (8.6%) and Construction (8.0%).

The TDC distinguishes Sutherland LGA into an East and West statistical local area (SLA). As of 2006 the East SLA generated the greater share of jobs (39,600 compared to 26,400 in the West SLA). The top five employment generating industries for the East SLA were Retail (19.3% of all jobs in the East or +5.6% more than the West), Health Care and Assistance (also with a greater share than the West SLA at 12.4% of all jobs or +0.6%), Accommodation and Food Services (8.7% of jobs compared to 7%), Education and Training with a lower proportion than the West SLA (6.2% compared to 12.2% in the West ) and Construction (7.7% compared to 8.0% in the West).

<sup>24</sup> Please note that the TDC estimate of jobs generated in the LGA differs from the ABS estimate as the TDC factors in an undercount for the ABS census



**Table 7 - Estimated Jobs by Industry within Sutherland LGA and East and West SLAs 2006**

Employment by Industry	Sutherland Total		East SLA		West SLA	
Agriculture, Forestry and Fishing	113	0.2%	90	0.2%	23	0.1%
Mining	70	0.1%	51	0.1%	19	0.1%
Food Product Manufacturing	692	1.0%	514	1.3%	178	0.7%
Beverage and Tobacco Product Manufacturing	49	0.1%	45	0.1%	4	0.0%
Textile, Leather, Clothing and Footwear Manufacturing	245	0.4%	132	0.3%	113	0.4%
Wood Product Manufacturing	197	0.3%	100	0.3%	97	0.4%
Pulp Paper and Converted Paper Product Manufacturing	60	0.1%	42	0.1%	18	0.1%
Printing, including the Reproduction of Recorded Media	293	0.4%	209	0.5%	84	0.3%
Petroleum and Coal Product Manufacturing	752	1.1%	749	1.9%	3	0.0%
Basic Chemical and Chemical Product Manufacturing	506	0.8%	436	1.1%	70	0.3%
Polymer Product and Rubber Product Manufacturing	546	0.8%	380	1.0%	166	0.6%
Non-Metallic Mineral Product Manufacturing	197	0.3%	122	0.3%	76	0.3%
Primary Metal and Metal Product Manufacturing	300	0.5%	125	0.3%	175	0.7%
Fabricated Metal Product Manufacturing	559	0.8%	403	1.0%	156	0.6%
Transport Equipment Manufacturing	504	0.8%	443	1.1%	60	0.2%
Machinery and Equipment Manufacturing	646	1.0%	437	1.1%	209	0.8%
Furniture and Other Manufacturing	1,498	2.3%	1064	2.7%	434	1.6%
Electricity, Gas, Water and Waste Services	333	0.5%	200	0.5%	134	0.5%
Construction	5,190	7.9%	3065	7.7%	2126	8.0%
Wholesale Trade	2,895	4.4%	2098	5.3%	797	3.0%
Retail Trade	11,263	17.0%	7641	19.3%	3622	13.7%
Accommodation and Food Services	5,288	8.0%	3450	8.7%	1838	7.0%
Transport, Postal and Warehousing	1,810	2.7%	973	2.5%	838	3.2%
Information Media and Telecommunications	409	0.6%	273	0.7%	136	0.5%
Financial and Insurance Services	1,786	2.7%	1100	2.8%	686	2.6%
Rental, Hiring and Real Estate Services	1,359	2.1%	908	2.3%	452	1.7%
Professional, Scientific and Technical Services	4,856	7.3%	2128	5.4%	2729	10.3%
Administrative and Support Services	1,494	2.3%	852	2.1%	642	2.4%
Public Administration and Safety	2,657	4.0%	728	1.8%	1929	7.3%
Education and Training	5,690	8.6%	2466	6.2%	3225	12.2%
Health Care and Social Assistance	7,787	11.8%	4913	12.4%	2874	10.9%
Arts and Recreation Services	1,005	1.5%	649	1.6%	356	1.3%
Other Services	3,348	5.1%	1796	4.5%	1552	5.9%
Unclassified	1,678	2.5%	1058	2.7%	620	2.3%
<b>Total Employment</b>	<b>66,076</b>	<b>100.0%</b>	<b>39,638</b>	<b>100.0%</b>	<b>26,438</b>	<b>100.0%</b>

Source: TDC, Employment Forecasts October 2009

Yellow highlight indicates top 6 employment generating industries as of 2006

## 5.2 Existing Employment Location Quotient

In order to better understand the characteristics of employment in the Shire and the strengths and weaknesses of given industries, a method of assessment called 'Location Quotients' has been utilised.

This method compares the proportional size of an industry within one area with another area. This comparative analysis allows for an understanding of industry under representation or need. It also shows industries that are excelling within the Study Area.

For the purposes of this assessment, industry representation within the Shire has been cross tabulated within industry representation across the Greater Metropolitan Region (GMA). Where the ratio equals to 1 there is an equal distribution of jobs between both areas however where the number exceeds 1, this represents a greater portion of jobs within that industry for the Shire than the GMA.

As shown in Table 8 compared to the GMA, the Shire had a low representation of jobs in the Information Media and Telecommunications Industry; Mining; Public Administration and Safety; Administration and Support Services; Wholesale Trade and Professional, Scientific and Technical Services and various manufacturing industries.

Compared to the GMA, the Sutherland Shire had a greater proportion of jobs in various manufacturing industries including Petroleum and Coal Product Manufacturing; Polymer and Rubber Manufacturing and Furniture Manufacturing. The Shire also generated a higher proportion of Retail Trade; Construction; Accommodation and Food Service; Education and Training; Health Care and Social Assistance jobs than the GMA.

**Table 8 - Location Quotient for Existing Jobs in Sutherland Shire to the GMA (2006)**

Industry	Location Quotient	Jobs
Information Media and Telecommunications	0.2	409
Mining	0.3	70
Pulp Paper and Converted Paper Product Manufacturing	0.3	60
Agriculture, Forestry and Fishing	0.3	113
Beverage and Tobacco Product Manufacturing	0.3	49
Financial and Insurance Services	0.4	1,786
Primary Metal and Metal Product Manufacturing	0.5	300
Transport, Postal and Warehousing	0.5	1,810
Electricity, Gas, Water and Waste Services	0.6	333
Non-Metallic Mineral Product Manufacturing	0.6	197
Machinery and Equipment Manufacturing	0.7	646
Public Administration and Safety	0.7	2,657
Printing, including the Reproduction of Recorded Media	0.7	293
Administrative and Support Services	0.7	1,494
Textile, Leather, Clothing and Footwear Manufacturing	0.7	245
Food Product Manufacturing	0.8	692
Wood Product Manufacturing	0.8	197
Wholesale Trade	0.8	2,895
Professional, Scientific and Technical Services	0.9	4,856
Unclassified	0.9	1,678
Arts and Recreation Services	1.1	1,005
Health Care and Social Assistance	1.1	7,787
Education and Training	1.1	5,690
Rental, Hiring and Real Estate Services	1.1	1,359
Fabricated Metal Product Manufacturing	1.2	559
Accommodation and Food Services	1.2	5,288
Basic Chemical and Chemical Product Manufacturing	1.2	506
Other Services	1.3	3,348
Construction	1.4	5,190
Transport Equipment Manufacturing	1.4	504
Retail Trade	1.5	11,263
Furniture and Other Manufacturing	1.5	1,498
Polymer Product and Rubber Product Manufacturing	1.7	546
Petroleum and Coal Product Manufacturing	13.5	752

Source: TDC, Employment Forecasts October 2009

The analysis provided is also successful in highlighting the employment differences between the Shire and the GMA. It is apparent that the Shire, has a strong orientation towards some key manufacturing industries owing to major stakeholders such as the Caltex Oil Refinery in Kurnell.

As a result of some major stakeholders such as Westfield's Miranda and the Sutherland Hospital the Shire also has a good representation in the retail and health service industries. Owing to the relatively modest provision of office floorspace in the Shire and the reasonable level of accessibility to Sydney's economic corridor, as of 2006 there was comparatively less professional and administrative office based employment opportunities provided within the Shire.

## 5.3 Employment Change

Based on TDC<sup>25</sup> employment estimates, the Shire is forecast to achieve a net increase in employment of 16,187 jobs between 2006 and 2036. The main industries forecast for growth (on a percentage basis) over the Study period are:

- Rental, Hiring and Real Estate Services (+74% or a net change of +1000 jobs);
- Public Administration and Safety (+66% or a net increase of +1,741 jobs);
- Retail Trade (+47% or a net increase of +5,321 jobs);
- Other Services (+44% or +1,474 additional jobs); and
- Accommodation and Food Services (+42% or +2,215 jobs).

The greatest actual increase in jobs over the Study period is forecast to occur within the retail industry generating 5,321 additional jobs. The growth of this industry is a common trend across Sydney in keeping with projected population and expenditure trend analysis. Significant actual growth is also forecast in Education and Training (+2,224 jobs) as well as Health Care and Social Assistance (+2,149 jobs). This job growth is a likely reflection of government policies<sup>26</sup> to promote a cluster of support and associated medical facilities around Sutherland Hospital.

Key industries forecast to experience a decline (on a percentage basis) in the Shire over the Study period include:

- Pulp Paper and Converted Paper Product Manufacturing (-87% or a decrease of 52 jobs);
- Textile, Leather, Clothing and Footwear Manufacturing (-84% or 206 jobs);
- Beverage and Tobacco Product Manufacturing (-77% or 38 jobs); and
- Wood Product Manufacturing (-62% or 122 jobs).

It is notable that each of the industries forecast to decline relate to manufacturing. The industries with the greatest actual forecast decline in job numbers are Petroleum and Coal Product Manufacturing (-454 jobs) and Fabricated Metal Product Manufacturing (-301 jobs). The loss of jobs in these industries in part relates to broader Sydney based trends and the rationalisation of industrial production and the growing technological efficiencies of these industries. The forecasts may also represent the changing character of Sutherland LGA and the increasing predominance of residential and service related uses.

<sup>25</sup> Latest release October 2009

<sup>26</sup> Action B.1.1.2 of the Draft South Subregion Strategy

**Table 9 - Forecast Job Change by Industry Category within Sutherland Shire 2006 - 2036**

Industry	Net Change 06-21		Net Change 06-31		Net Change 06- 36	
Agriculture, Forestry and Fishing	24	21%	30	27%	34	30%
Mining	1	2%	8	11%	11	16%
Food Product Manufacturing	15	2%	14	2%	24	3%
Beverage and Tobacco Product Manufacturing	-29	-61%	-36	-75%	-38	-77%
Textile, Leather, Clothing and Footwear Manufacturing	-128	-52%	-187	-76%	-206	-84%
Wood Product Manufacturing	-82	-42%	-114	-58%	-122	-62%
Pulp Paper and Converted Paper Product Manufacturing	-41	-68%	-50	-84%	-52	-87%
Printing, including the Reproduction of Recorded Media	69	23%	96	33%	115	39%
Petroleum and Coal Product Manufacturing	-260	-35%	-407	-54%	-454	-60%
Basic Chemical and Chemical Product Manufacturing	-19	-4%	-23	-5%	-18	-4%
Polymer Product and Rubber Product Manufacturing	51	9%	39	7%	41	7%
Non-Metallic Mineral Product Manufacturing	-32	-16%	-45	-23%	-46	-23%
Primary Metal and Metal Product Manufacturing	23	8%	22	7%	25	8%
Fabricated Metal Product Manufacturing	-172	-31%	-265	-47%	-301	-54%
Transport Equipment Manufacturing	-12	-2%	-13	-3%	-7	-1%
Machinery and Equipment Manufacturing	22	3%	-22	-3%	-29	-5%
Furniture and Other Manufacturing	434	29%	542	36%	610	41%
Electricity, Gas, Water and Waste Services	-3	-1%	1	0%	9	3%
Construction	-153	-3%	-143	-3%	-73	-1%
Wholesale Trade	-18	-1%	-137	-5%	-205	-7%
Retail Trade	3,280	29%	4,553	40%	5,321	47%
Accommodation and Food Services	1,486	28%	1,939	37%	2,215	42%
Transport, Postal and Warehousing	110	6%	159	9%	236	13%
Information Media and Telecommunications	-187	-46%	-261	-64%	-286	-70%
Financial and Insurance Services	-96	-5%	-86	-5%	-41	-2%
Rental, Hiring and Real Estate Services	615	45%	861	63%	1,007	74%
Professional, Scientific and Technical Services	634	13%	787	16%	882	18%
Administrative and Support Services	-104	-7%	-234	-16%	-266	-18%
Public Administration and Safety	820	31%	1,391	52%	1,741	66%
Education and Training	1,058	19%	1,799	32%	2,224	39%
Health Care and Social Assistance	1,211	16%	1,805	23%	2,149	28%
Arts and Recreation Services	292	29%	333	33%	383	38%
Other Services	891	27%	1,271	38%	1,474	44%
Unclassified	84	5%	-84	-5%	-169	-10%
<b>Total Employment Change</b>	<b>9,783</b>	<b>15%</b>	<b>13,543</b>	<b>20%</b>	<b>16,187</b>	<b>24%</b>

Source: TDC, Employment Forecasts October 2009

## 5.4 Employment Growth vs. Job Targets

The South Subregion Draft Subregional Strategy identifies an employment growth target for the South Subregion of 29,000 jobs between 2001 and 2031. For Sutherland LGA over the same period the target was defined as 8,000 jobs. This was the second highest employment target for the Subregion following Rockdale LGA's target of 13,000 jobs.

As can be seen in Table 9 the TDC forecasts estimate job growth in the Shire between 2006 and 2031 of 13,543 jobs, it is therefore apparent that the LGA has the ability to accommodate significant job growth.

Particular regard must be given here however to the forecast net increase of 4,500 jobs by 2031 in the retail trade industry. This represents one third of all forecast job growth alone.

The Metropolitan Transport Plan for Sydney, released in February 2010 by the NSW Government provides updated employment forecasts for Sydney's Subregions. The Transport Plan targets an additional 47,530 jobs for the South Subregion between 2006 and 2036 (refer to Figure 1).

At this stage the more detailed targets for each of the LGA's within the South Subregion have not been released. Should however the Department of Planning target the same proportion of the job growth for Sutherland Shire in the South Subregion the revised targets for between 2006 and 2036 may equate to 13,100 jobs.

Once again based on TDC forecasts it is apparent that the LGA has the ability to exceed this likely target of 13,100 jobs and generate an additional 16,000 jobs between 2006 and 2036. Consistent with job growth between 2006 and 2036, retail is forecast to be a considerable portion of this job growth in the order of 5,300 jobs. This represents close to one third of all forecast job growth once again placing significant emphasis on the need to encourage and successfully facilitate this form of development in the Shire.

## 5.5 Forecast Demand by Land Use

In order to estimate the existing quantum of industrial and commercial floorspace in the Shire and the forecast change in demand for floorspace, the TDC employment growth forecasts have been cross tabulated with standard employment yields (as set out in Appendix 1). Using this approach it was estimated that as of 2006 the Shire provided in the order of 886,000sqm of industrial floorspace and 378,000sqm of commercial office floorspace.

A similar calculation has not been undertaken in this Chapter in relation to retail floorspace supply and forecast demand. A more detailed analysis of this use is provided in the proceeding Chapter of this Study.

### **Forecast Demand for Industrial Floorspace**

Taking the cross tabulation approach described above, the forecast demand for industrial floorspace can be calculated and assessed against existing estimated supply. It was subsequently found that the forecast changes to industry in the Shire would result in reduced demand for industrial land by 2036. The main changes shown in Table 10 below relate to manufacturing with an estimated reduction in demand for 69,500sqm or 20% of industry related floorspace by 2036. As discussed above, a reduction in demand for industry related floorspace is a common trend across Australia as a result of factors such as the relocation of industries offshore and the increasing efficiencies of industries on account of improved technologies.

Notwithstanding the broad trend analysis described above, within the manufacturing sub categories Table 10 shows that some industries are forecast to grow within the Shire (such as food and product manufacturing +30% and basic chemical and chemical product manufacturing +39%). The level of growth and subsequent demand for manufacturing floorspace in these industries will not however outweigh the broader trend for a reduction in industrial floorspace.

One industry that is forecast to grow significantly in demand for floorspace in Sutherland LGA over the Study period is Construction. The use of floorspace in this industry can be over varying timescales and by nature of the industry often temporary (i.e. a few years) in duration.

**Table 10 - Estimated Industrial Floorspace Demand (sqm) by Category 2006-2036**

Industry Type	2006	2021	2036	2006-2021	2006-2036	% Change
<b>Manufacturing</b>						
Food Product Manufacturing	7,922	9,617	10,324	1,694	2,401	30%
Beverage and Tobacco Product Manufacturing	4,889	4,966	5,685	76	796	16%
Textile, Leather, Clothing and Footwear Manufacturing	48,446	49,470	50,124	1,024	1,679	3%
Wood Product Manufacturing	3,400	1,337	769	- 2,062	- 2,631	-77%
Pulp Paper and Converted Paper Product Manufacturing	17,154	8,180	2,763	- 8,973	- 14,391	-84%
Printing, including the Reproduction of Recorded Media	13,805	8,052	5,240	- 5,753	- 8,565	-62%
Petroleum and Coal Product Manufacturing	4,201	1,329	526	- 2,872	- 3,674	-87%
Basic Chemical and Chemical Product Manufacturing	20,523	25,324	28,570	4,801	8,047	39%
Polymer Product and Rubber Product Manufacturing	52,675	34,468	20,903	- 18,207	- 31,772	-60%
Non-Metallic Mineral Product Manufacturing	35,413	34,117	34,143	- 1,296	- 1,270	-4%
Primary Metal and Metal Product Manufacturing	38,232	41,802	41,091	3,570	2,859	7%
Fabricated Metal Product Manufacturing	13,823	11,550	10,586	- 2,273	- 3,237	-23%
Transport Equipment Manufacturing	21,011	22,655	22,789	1,644	1,778	8%
Machinery and Equipment Manufacturing	39,122	27,093	18,080	- 12,029	- 21,042	-54%
Furniture and Other Manufacturing	35,259	34,447	34,772	- 812	- 487	-1%
<b>Total Manufacturing</b>	<b>355,874</b>	<b>314,407</b>	<b>286,365</b>	<b>- 41,467</b>	<b>- 69,510</b>	<b>-20%</b>
<b>Other Industry</b>						
Electricity, Gas, Water and Waste Services	45,209	46,769	43,174	1,560	- 2,035	-5%
Construction	104,839	135,190	147,521	30,351	42,682	41%
Wholesale Trade	16,660	16,503	17,107	- 156	447	3%
Transport, Postal and Warehousing	363,323	352,602	358,213	- 10,721	- 5,110	-1%
<b>Total Other Industry</b>	<b>530,030</b>	<b>551,065</b>	<b>566,014</b>	<b>21,034</b>	<b>35,984</b>	<b>7%</b>
<b>Total Forecast Industry Growth (sqm)</b>	<b>885,905</b>	<b>865,472</b>	<b>852,379</b>	<b>- 20,432</b>	<b>- 33,525</b>	<b>-4%</b>

Source: TDC, Employment Forecasts October 2009

### **Forecast Demand for Commercial Floorspace**

With respect to commercial floorspace, over the Study period there is a forecast 24% net increase in demand for floorspace (+91,057sqm). On a subcategory basis, the growth primarily relates to the:

- Rental, Hiring and Real Estate Service category (+30,200sqm or 74% increase from 2006);
- Professional, Scientific and Technical Service category (+30,200sqm or 74% increase from 2006); and
- Public Administration and Safety category (+30,200sqm or 74% increase from 2006).



**Table 11 - Estimated Commercial Floorspace (sqm) Demand by Category 2006-2036**

Commercial Jobs	2006	2021	2036	2006-2021	2006-2036	% Change 06-36
Information Media and Telecommunications	12,257	6,637	3,669	- 5,620	- 8,588	-70%
Financial and Insurance Services	53,571	50,687	52,338	- 2,884	- 1,234	-2%
Rental, Hiring and Real Estate Services	40,777	59,228	70,976	18,452	30,199	74%
Professional, Scientific and Technical Services	145,690	164,713	172,145	19,023	26,455	18%
Administrative and Support Services	44,830	41,713	36,836	- 3,117	- 7,994	-18%
Public Administration and Safety	79,722	104,324	131,940	24,603	52,218	66%
<b>Total Forecast Growth (sqm)</b>	<b>376,846</b>	<b>427,302</b>	<b>467,903</b>	<b>50,456</b>	<b>91,057</b>	<b>24%</b>

Source: TDC, Employment Forecasts October 2009

## 5.6 Unmet Demand for Commercial Floorspace

With the likely level of demand for office floorspace and potential surplus of industrial floorspace identified we need to discount those developments that are already known about, even if just mooted. We acknowledge that some of these developments have currently been deferred and they may not all be developed, however it is appropriate to consider a worst case scenario and we have not discounted any of these proposals. In any event, it is likely that over the Study period new schemes will emerge to replace these.

Combining a number of resources Hill PDA has identified approximately 29,179sqm of commercial floorspace in the development pipeline. When taken from the estimated level of demand indicates that an additional 61,878sqm of commercial floorspace will need to be accommodated within the Shire.

With regards to industrial floorspace we have identified around 18,200sqm of industrial floorspace in the development pipeline. When added to the already identified surplus it suggests a potential oversupply of 55,300sqm of industrial floorspace.

**Table 12 - Commercial Developments in the Pipeline**

Centre	Known/Mooted Developments (Sqm) - Industrial	Known/Mooted Developments (Sqm) - Offices
Bundeena		86
Caringbah	2,968	1,738
Como		557
Cronulla		2,495
Gymea		3,318
Kirrawee	5,785	650
Kurnell	2,412	3,828
Menai		1,584
Miranda	6,600	6,068
Sutherland		8,390
Sylvania		465
Taren Point	433	
<b>Total</b>	<b>18,198</b>	<b>29,179</b>

Source: Cordells Connect and Hill PDA Research

## 5.7 Key Findings

In summary the key findings of this Chapter are:

- As of 2006, the Shire had a good representation of jobs generated in the petroleum, retail and health service industries. There was however comparatively less professional and administrative office based employment opportunities provided within the Shire in comparison to the GMA;
- Based on TDC<sup>27</sup> employment estimates, the Shire is forecast to achieve a net increase in employment of 16,187 jobs between 2006 and 2036;
- New floorspace should be in a suitable form to cater for the needs of the major growth industries, namely Rental, Hiring and Real Estate (+74%); Public Administration and Safety (+66%); Retail Trade (+ 47%) and Accommodation and Food (+42%);
- The most significant actual job growth is forecast in the retail industry. This industry will generate one third of all additional employment opportunities in the Shire (+5,300 jobs) over the Study period;
- There is a forecast decline in demand for industrial floorspace (- 33,525sqm or -4%) in the Shire over the Study period;
- There is a forecast growth in demand for commercial floorspace (+91,057sqm or 24% increase on existing supply) to generate in the order of 3,000 new jobs.

---

<sup>27</sup> Latest release October 2009

## 6. DEMAND FOR RETAIL FLOORSPEACE

### 6.1 The Changing Nature of Retail

Over the past three decades significant changes have occurred in the retail industry such as the introduction of new technologies, the ageing of the population, increased female participation in the workplace and changing consumer preferences. These changes have placed increased pressure on many existing retail centres to either adapt or lose market share.

In the 1980s, Australian retail floor space totalled approximately 1.8 square metres per person (including bulky goods retailing but excluding commercial space and automotive retailing), which was roughly divided into equal components of regional, district and neighbourhood/local centres. Today we have around 2.1sqm per capita due to increasing affluence and consumerism. Retail growth in Sutherland Shire however has lagged behind at approximately 1.7sqm per capita (including bulky goods).

The retail industry's innovative nature is driven largely by the need to respond to, and anticipate, its customers' needs and desires. Changing demographics and lifestyles require individual retailers and shopping centres to constantly monitor these often subtle shifts and respond by repositioning their retail offer, presentation and mode of operation. The factors that are driving the changing face of retailing in Australia are described as follows:

- The increase in the proportion of working women;
- The increase in the proportion of part-time and casual employment and the reduction in full-time employment;
- The reduction in the proportion of households that match the 'traditional family' model and an increase in the number of single persons and single parent households;
- The increasing disparity of household income, ranging from high double income households to households that rely on welfare;
- The ageing of the population; and
- Increasing working hours for those in full-time employment.

In particular economic rationalism over the past three decades has resulted in increasing household income disparity. Today there are many families with high disposable incomes and many families that struggle in poverty. Families are typically cash-rich / time-poor or time-rich / cash-poor. Very few families are both time-rich and cash-rich, which provides interesting challenges for the retail industry.

Population growth, rising real disposable incomes, innovation and change within the retail industry have underpinned a rapid increase in the supply of retail floor space throughout Australia. Population growth and increasing levels of disposable income have provided the means to support new retail development, but it is the innovative nature of the industry itself that has generated major increases in more and larger centres.

Recent retail trends and their implications are explained further below.

### **Greater Size and Diversification**

Traditionally retailing has followed a hierarchy from regional through to district to small neighbourhood centres. In the 1950s Australia's first planned suburban shopping centres replaced the traditional strip centres that had built up around railway stations. The ample, off-street parking and shopper amenity offered by these new enclosed malls appealed to customers, especially as motor vehicle usage increased and became more widely affordable. The first of these suburban centres to open was in Top Ryde in 1957.

The introduction of the discount department store in the mid 1960s spawned a wave of new centre development and expansion, which continued throughout the 1970s and early 1980s. In the late 1980s and early 1990s, retail innovations such as food courts, in-centre cinemas, family entertainment centres, library, medical and other services and larger supermarkets further fuelled increases in centre size and numbers.

Regional centres of more than 60,000sqm of floor space began to evolve during this time. These centres generally incorporated a department store, large major tenants and supermarkets. Roselands was the first of these to be built in 1965 and today there are approximately 35 indoor centres in NSW with retail floor areas over 30,000sqm. Somewhat later super-regional centres developed in metropolitan Sydney comprising both a David Jones and a Grace Bros department store and having a total floor area of more than 100,000sqm. There are now eight such centres in NSW being in Erina, Parramatta, Hornsby, Macquarie Park, Castle Hill, Miranda, Warringah and Bondi Junction.

More recently these centres are housing a range of 'category killers' or 'mini-major' stores. Category killers are large stores, typically from 400sqm to 3,000sqm, that provide an extensive range and depth of competitively priced merchandise within a single market segment. Examples include Borders, JB-Hi-Fi, Dick Smith, Lindcraft and Rebel.

Due to competition between centres, there continues to be plans for expansion. Macarthur Square and Westfield Penrith were recently expanded to more than 80,000sqm each. Even the super-regional centres like Macquarie Centre, Castle Towers and Warringah Mall are proposing further expansion. Top Ryde, the first suburban indoor centre, is being redeveloped into a centre of 70,000sqm – almost four times its previous size.

### **New Urbanism**

New urbanism has gained popularity in the United States. The recent example of it in NSW is the Rouse Hill Town Centre. Principally new urbanism refers to a return to a grid road pattern, more intense residential and employment related uses within walking distance to centres and a return to a 'main street' theme rather than enclosed mall within the town centres.

### **Convenience Shopping**

The concept of retail convenience for the consumer has expanded considerably, particularly over the past two decades. Previously it meant physical proximity, usually to home. With two income families where partners might work in quite different locations, and where an increasing choice of time-consuming activities compete

with shopping, the concept of retail convenience is becoming far less location-specific and more performance oriented. Consumers want one-stop shopping at hours convenient to them.

One response from the retail industry has been the development of 'convenience community centres'. These are usually dominated by a supermarket to meet daily and weekly shopping needs but they also include a range of specialty shops such as butcher, fruit shop, liquor shop, take-away food, video rental and petrol station. Where they differ from traditional neighbourhood centres around railway stations is that a large proportion of their turnover comes from commuters in the PM peak on the way home and so they have generally located themselves on the PM peak side of main roads. They also provide ample parking and convenient access in and out to the main road. Woolworths Marketplace is an example.

Another response has been the emergence of 'convenience service centres' which are petrol stations on main highways but also offering a 'just-in-time' shop with a range of groceries and fast foods (e.g. 7 Eleven, Quix, Ampol Shop Stop, BP Shop). Typically the size of the food, groceries and take-away foods component is around 150-500sqm.

Highway service centres have been gaining in popularity largely due to convenience and time-savings. Generally these stores are not the main destination for food and grocery shopping but they offer a range of products for 'just-in-time' shoppers. They can include several operators such as McDonalds Family Restaurant, Burger King, KFC, Quix.

### **Deregulation of Hours**

One of the biggest changes the retail industry has made in recent years to meet the changing needs of consumers is the introduction of seven day trading.

More people are juggling careers and family and increasingly must squeeze shopping in where they can rather than adhere to a standard schedule.

Busy shoppers today are also less inclined to spend as much time as they once did wandering through vast shopping complexes. While younger shoppers, and especially teenagers, do stay longer in shopping centres, the trend is towards a decline in average time spent shopping – particularly in relation to what is considered 'chore' shopping – shopping for food and groceries.

### **Changes in Supermarkets**

Beginning in the 1980s the suburban supermarket increased in size and diversity of retail offer. The objective was to provide for a large choice of food and groceries under one roof with one convenient check-out. Over time supermarkets began to expand the range to include fresh foods, meats, delicatessen, pharmaceuticals and even some non-food items such as toys, clothing, manchester and small appliances.

More recently there has been some return to smaller supermarkets and corner stores, particularly in inner city areas. This has resulted largely from the need to increase supply to meet an expanding, more affluent, inner city market. But with the logistical difficulties in acquiring large sites it has resulted in smaller supermarkets – sometimes in mixed use developments combined with a stronger reliance on patrons shopping by foot – particularly in high density areas.

Woolworths, and to a lesser extent Coles, have dominated the supermarket industry. Woolworths continue to outperform other supermarket operators. The linking of supermarket operations to discounted petrol has also benefited the two main operators. More recently Woolworths and Coles have been acquiring category killers such as Dick Smith, Dan Murphys Liquor, Liquorland and the like. This along with ownership of the major discount department stores, is continuing to strengthen the quasi-duopoly in the industry.

### **Out of Centre Retailing**

In the late 1980s new forms of retail centres emerged such as the 'category killer' and 'power centres'. Bunnings, Toys R Us, IKEA, Officeworks, Babyco, Baby Kingdom, Harvey Norman, Borders, The Good Guys and various bedding specialists are notable examples of category killers in Australia. The financial success of these stores has been mixed as demonstrated by the failure of Coles Myer 'World 4 Kids' and 'Megamart' and the strong performances of others such as JB-HiFi and Bunnings.

Whilst many category killers locate in 'out of centre' locations others can be found in regional shopping centres and are generally classified as 'mini-majors'. Borders and JB Hi-Fi are successful examples generally found in the large major-regional and super-regional centres.

Beginning in the 1980s and expanding considerably through the 1990s were power centres. Power centres, also known as 'big box' centres, consist of a collection of category killers and other specialist retailers (often retailers of bulky goods) and are usually located in secondary areas such as light industrial zones. Fit out is minimal and rents per square metre are significantly lower than in traditional centres.

Some power centres have a theme, such as a homemaker centre (hardware, carpets, tiles, furniture, kitchen/bath, etc). Examples include Moore Park SupaCenta and Norwest Homemaker Centre. Power centres however can also trade successfully with a wide mix of traders (auto accessories, toys, sports, clothing). These are destination shopping venues and people are prepared to travel further to access a larger range at more competitive prices than can be offered by traditional department, discount department and specialty stores.

Bulky goods retailing, factory outlets and clearance centres in traditional industrial areas integrating warehousing with retail space are also recent innovations. As with power centres, they rely on low rents. While purpose-built factory outlets are common in the United States, most of Australia's major factory outlet centres occupy premises formerly occupied by traditional retailers, factories or other uses – eg Birkenhead Point and DFO Homebush.

### **Changing Shifts in Trade**

The trends discussed in this Chapter are polarising the retail hierarchy with the larger regional centres positioning themselves for a more dominant role in the provision of entertainment and customer services matched with increased retail floor space. The more successful smaller centres have moved towards the concept of convenience centres with greater emphasis on food retailing, just-in-time shopping, fast foods, local services and petrol. Examples include the Woolworths Market Place concept.

More and more we are witnessing shifts in trading patterns in a number of areas. In competing for consumer dollars some centres are winning and others are losing. The trends can be summarised as follows:

- Regional and super-regional centres are expanding and taking trade away from district centres and even some neighbourhood centres. These regional centres are capturing a larger proportion of trade by increasing their retail offer and providing a range of activities including entertainment, comparative goods shopping and convenience shopping with larger supermarkets;
- Convenience centres on major roads are taking trade away from the traditional neighbourhood centres that are based around public transport nodes. This is evident with some traditional retail centres that have experienced rising vacancies and the introduction of “low rental” tenants without fitout costs to fill the vacancies (eg liquidators, etc);
- Bulky goods retailers on the fringe of large shopping centres and in industrial areas are taking trade in bulky goods away from the traditional retail centres. In 1990-91 40% of department stores’ turnover was in bulky goods commodities (furniture, floor coverings, electrical appliances, hardware, homeware, sports and camping goods, soft furnishings). This figure fell to 25% by 1998-99 and is probably less than 20% today. The large national department stores are also continuing to lose trade to the rise of discount department stores;
- Older style centres typically located at train stations have lost market share. This is particularly the case with centres that shoppers experience difficulty in access and parking and where there is a poor retail mix and lack of major tenants by contemporary standards; and
- Some traditional centres have become successful through reinvention of their role / theming, marketing and improvement programs – in some cases developing into an ‘eat street’ theme or ethnic theme (eg Asian or Arabic).

### **Emerging Retailers and Formats**

As mentioned above ALDI was one of the new players in the market that have now opened up numerous food stores in NSW over the past decade. Being predominantly a food store (but with some component of personal and household goods) there is competition to the existing supermarket operators – Coles, Woolworths, Franklins and IGA. However ALDI differs from these supermarkets in that it has much fewer product lines (less than 1,000 compared to 20,000 or more in the full-line supermarkets) at discounted prices. Its trade area is considerably wider but thinner than other supermarkets and is often seen as complementary to other supermarkets as it is competitive.

Supabarn is also beginning to open some other supermarkets in metropolitan areas after already establishing itself through 3 stores in the ACT. Supabarn, which has operated a supermarket in Five Dock for some time, is also beginning to open some other supermarkets in the metropolitan area including the one under construction in Sutherland and one planned for San Souci. Supabarn features a complete gourmet delicatessen and seafood department.

US discount retail giant Costco has identified the Asia-Pacific Region as a key area of growth, particularly in Australia. Costco is a membership warehouse club that provides a wide selection of merchandise at a substantially lower price to both businesses and individuals. Costco Warehouses provide groceries, electrical appliances, automotive supplies, hardware, sporting goods, homewares, apparel, health & beauty goods, furniture and office supplies. It operates seven days a week for its members.



Costco's first warehouse in Australia opened in August 2009 in the Docklands in Melbourne. It is understood that a second Australian warehouse has recently been approved in Auburn. The 17,000sqm (approximately) premises will be located in Auburn in Sydney's West. Costco plans to open 5-6 new warehouses in Australia over the next three years. The emergence of Costco in Australia will likely intensify the battle between Coles and Woolworths.

The Coles and Woolworths quasi-duopoly is entering the hardware market. The smaller independent hardware stores have been losing trade to the Bunnings hardware houses (owned by Westfarmers which owns Coles supermarkets). Now Woolworths is negotiating sites around Australia to provide even larger hardware houses that will directly compete with Bunnings.

### **Internet Shopping**

Internet shopping (also called e-tailing and electronic retailing) is a retail format in which the retailer and customer communicate with each other through an interactive electronic network. A growing proportion of Australians have access to the internet at home. The rate of access has quadrupled in recent years, from 16% of households in 1998 to 64% in 2006-07.

In 2006-07, 61% of the 11.3 million people who used the internet at any site reported using it in the past 12 months to buy goods or services for private use. Among all age groups, people aged between 25-34 years were most likely to have used the internet for this purpose (71%)<sup>28</sup>.

Despite increasing household access to the internet, the growth in internet shopping has not been as dramatic as predicted by some futurists in the early 1990s. Currently internet shopping accounts for no more than about 5% of total retail sales. Most sales have been made by higher socio-economic households and only with commodities that are suited for that type of shopping including second hand items, music, computer hardware and software and office durables. In many cases internet shopping is used to acquire knowledge, rather than make purchases.

Electronic retailing is thus generally considered to have some growth potential. But this will be dependent on whether or not it can, and is perceived to be able to, provide superior benefits over existing retail formats. The critical benefit that electronic retailers can offer is the opportunity for consumers to search across a broad range of alternatives, develop a smaller set of alternatives based on their needs, and get specific information about the alternatives they want.

Whilst there may be some opportunity for internet shopping to capture an increasing proportion of total retail sales, the impact will not be as dramatic as initially forecast as shoppers still preferring to shop physically as the best method of comparing goods, brands, stores and prices and as a means of entertainment / leisure and socialising. Accordingly the impact to traditional bricks and mortar retailers is not likely to be as significant or detrimental as initially forecast.

---

<sup>28</sup> Australian Social Trends - ABS 2008

## 6.2 Land Use Survey

To inform the retail demand and supply analysis it was essential for Hill PDA to have a current estimate of the amount of floorspace provided within the Shire's Centres and the different types of uses that occupied this floorspace.

Hill PDA undertook a comprehensive land use survey on the 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> of February 2010 to determine the level of supply in the Shire. This comprised of physically walking around each centre noting the occupier of each unit and its approximate size. The information for enclosed major centres was sourced from the Shopping Centre Directory 2009.

To ensure statistical accuracy the data was cross checked with the photographic survey (undertaken by Hill PDA), aerial photographs and Red Square mapping. Hill PDA then compared the results with earlier land use surveys carried out by Dimasi/Mapinfo, Hirst Consulting Services in 2002 and Ibecon in 2004. The Hill PDA survey found there to be more floorspace in the Shire than the prior surveys. When analysed further, this discrepancy was deemed acceptable due to new retail developments that had been completed since the earlier surveys.

The results of the land use survey are summarised in tables at Appendix 3. Importantly however, there are a number of inputs and assumptions. The survey:

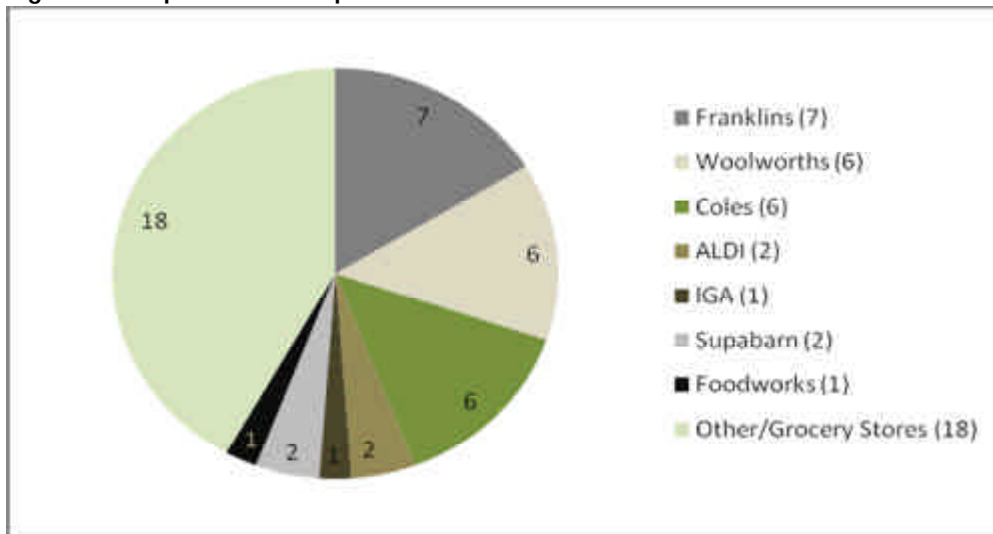
- Includes all retail, commercial and vacant space within Centres identified in the Draft South Subregional Strategy (refer to Chapter 10) and as such does not cover Bundeena or Maianbar;
- Excludes the stand alone Franklins at Taren Point;
- Excludes retail space outside of the Shire's Centres including the bulky goods retailers along Taren Point Road and other locations; and
- Excludes stand alone petrol outlets, motels, restaurants, tourist destinations, sports clubs and the like located outside of the Shire's commercial centres.

The key output of the survey was that the Shire's Centres surveyed there was 359,301sqm of shopfront floorspace of which 83% was occupied by retail uses.

It was also noted that most of the main supermarkets operate within the Shire with Franklins, Coles, and Woolworths well represented.

The number of supermarkets by operator represented in the Shire, are shown in figure 2 below.

Figure 2 - Supermarkets Represented in the Shire



Source: Hill PDA Land Use Survey 2010

## 6.3 Shopper Telephone Survey

To inform this Study it was agreed with the DoP that a survey of local shopping habits should be undertaken. Hill PDA's approach followed a methodology previously used in retail studies that were deemed robust when presented as evidence in The NSW Land and Environment Court (including Wyong Shire Centres Strategy 2005, Ku-ring-gai Commercial Centres Study 2005, Holroyd City Centres Strategy) and in relation to various site specific development applications.

The surveys took place under the supervision of Hill PDA staff over 5 days in February 2010 (Wednesday 10<sup>th</sup>, Thursday 11<sup>th</sup>, Monday 15<sup>th</sup>, Tuesday 16<sup>th</sup> and Wednesday 17<sup>th</sup>). Calls were made between the hours of 4pm and 8pm in order to capture those who work after office hours. Over that time Hill PDA completed more than 400 telephone surveys across the entire Shire. Each postcode area within the Shire was represented according to the density of the population.

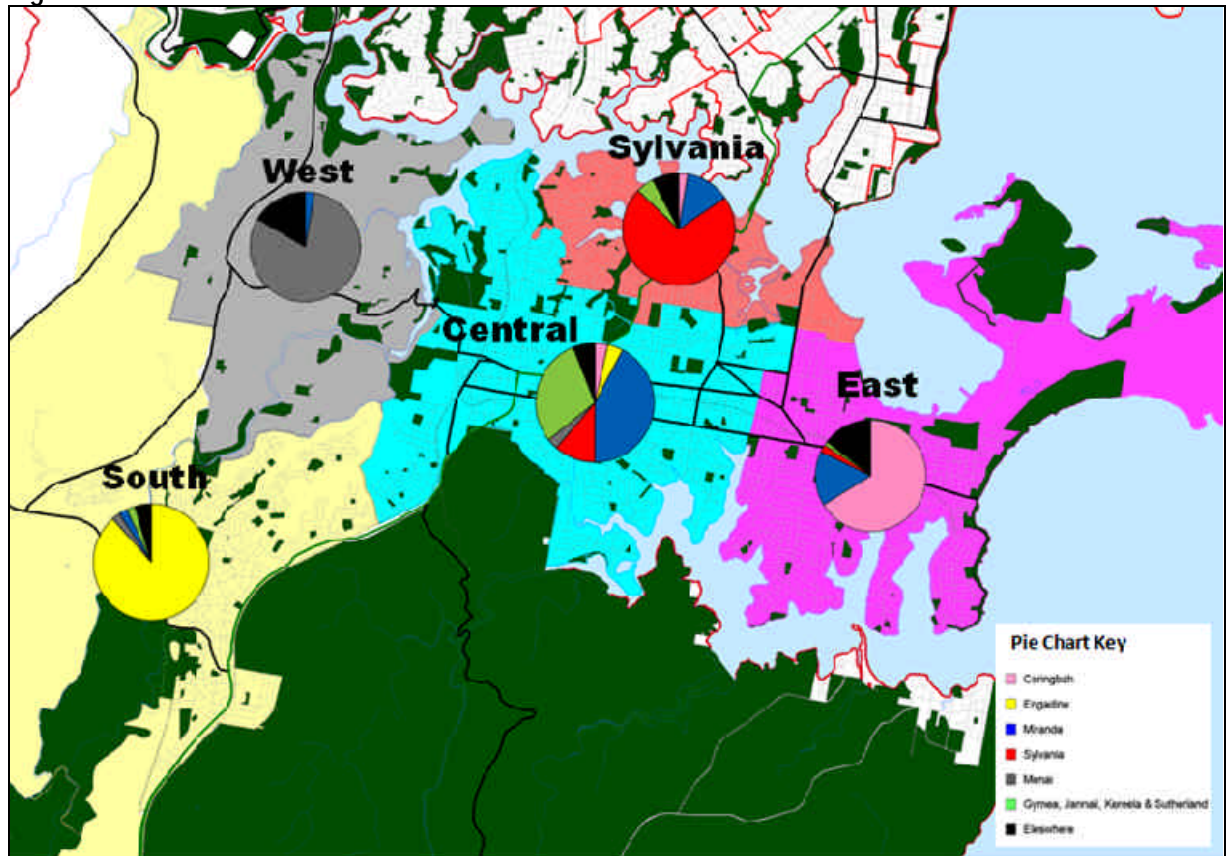
In line with the agreed approach to this Study, a series of high level, open questions were asked to identify key shopping habits. No reference was made to any specific development opportunity. A copy of the questionnaire and a summary of the key results are provided within Appendix 4.

There were a number of key outcomes that informed this Study – the main conclusions are summarised below.

Firstly there is a hierarchy of centres within the Shire with different centres having different roles in meeting consumer demands. In the case of food and grocery shopping, the main destinations in the Shire are centres that are anchored by medium to large size supermarkets. These centres are Caringbah, Miranda, Southgate, Kareela, Menai and Engadine.

Secondly shoppers have a reluctance to travel far when undertaking the majority of their food and grocery shopping. In relation to reasons for shopping at the primary destination 67% of respondents gave location and proximity to home as a reason. FGL (food, groceries and liquor) shopping is considered "chore" shopping and the preference is to shop locally, conveniently and expeditiously. The evidence of this is shown in Figure 3 below.

Figure 3 - Retail Trade Areas



Source: Based on 2006 Census Boundaries, Mapinfo 9.0 and Hill PDA Pty Ltd

As shown in the figure above, Sutherland has roughly five FGL trade areas. The majority of shoppers in the eastern trade area shop in Caringbah, in Sylvania it's Southgate, in the west it's Menai and in the south it's Engadine. The central trade area has several centres with medium to large size supermarkets including Miranda, Jannali and Gymer.

Miranda is the most popular destination in relation to the question *"Where else do you shop for food and groceries"* with 26% of all shoppers in the Shire selecting this location. Miranda is the most popular destination for comparative goods shopping – particularly for clothing and fashion. 80% of Shire residents that nominated a destination nominated Miranda as their main destination for clothes shopping. Some of these shoppers will stay in Miranda however to undertake FGL shopping, which is why it is their second preference for FGL shopping.

Taren Point / Caringbah is the most popular destination for bulky goods with 83% of respondents nominating this destination.

The survey results imply that there is modest expenditure that escapes the Shire. Only two of 412 respondents nominated destinations outside the Shire as their main destination for FGL shopping. In relation to shopping for clothes and bulky goods only 4.4% and 7.1% of respondents that nominated a destination nominated locations outside of the Shire.

As mentioned above, proximity to home was the primary reason for FGL destination shopping. Surprisingly parking and prices were not considered so important (12% and 8% respectively). The second strongest reason

related to variety and range of goods and services with 27% of respondents specifying this reason. This was particularly the case for Miranda and Caringbah (30% and 35% respectively).

The main reasons for not shopping at a centre for FGL varied considerably between centres. In the case of Miranda Westfield the main reason related to parking and access difficulties. 57% of residents that lived in the immediate area and did not shop at Westfield gave these reasons. On the other hand the main reason for not shopping at Kirrawee was the poor range of goods and services (65%). The same reasons applied to Sutherland (49%) although it's likely that the opening of the Supabarn will reduce this reason considerably.

## 6.4 Household Expenditure

The quantum of demand for retail space is dependent upon household expenditure, expenditure generated from workers and tourism. The following section will review the level of expenditure generated in the Region by each of these factors in order to better understand the scale of demand for retail floorspace.

### **Household Expenditure**

Household expenditure is dependent upon population size, household size and the socio-demographic characteristics of those households. Most notably there is a strong correlation between expenditure and household type and household income levels.

For the purposes of this Study, household expenditure was sourced from:

- The ABS Household Expenditure Survey 2003-04 which provides household expenditure by broad commodity type by household income quintile; and
- Marketinfo 2007 which is generated by combining and updating data from the 2006 Census and the ABS Household Expenditure Survey (HES).

Marketinfo 2007 combines the data from the Census, HES and other sources to derive total household expenditure by commodity type. This data, which was validated using taxation and national accounts figures, quantifies around 14% more expenditure than the ABS HES Survey. Household expenditure is forecast as follows.

**Table 13 - Forecast Household Expenditure Generated in Sutherland Shire by Commodity (2007\$m)**

Year	2007	2016	2021	2026	2036
No. of Residents	215,325	224,204	228,155	232,176	240,432
Food & Groceries	730.4	858.1	933.8	1,016.1	1,203.3
Liquor Take-away	169.1	198.6	216.2	235.2	278.6
Take-away Foods	229.6	269.8	293.5	319.4	378.3
Meals in Restaurants, Hotels & Clubs	221.5	260.3	283.2	308.2	365.0
Apparel	238.8	280.6	305.3	332.2	393.4
Homeware & Manchester	70.1	82.3	89.6	97.5	115.4
Home Entertainment Equip.	66.5	78.1	85.0	92.5	109.5
Furniture & Flooring	111.2	130.6	142.1	154.6	183.1
Whitegoods	64.4	75.7	82.3	89.6	106.1
Hardware & Gardening	90.3	106.1	115.5	125.6	148.8
Sporting and Camping Goods	8.2	9.6	10.4	11.4	13.5
Other Goods	606.1	712.0	774.8	843.1	998.4
Personal Services	87.0	102.3	111.3	121.1	143.4
Cinema	10.1	11.9	13.0	14.1	16.7
Liquor on Premises	67.1	78.8	85.7	93.3	110.5
<b>Total</b>	<b>2,770.4</b>	<b>3,254.7</b>	<b>3,541.7</b>	<b>3,854.1</b>	<b>4,563.9</b>

Source: 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 in the cross tabulation by total dollars spent generates household expenditure by retail store type. Turnover by retail store type generated by household expenditure in the Shire in 2007 is provided in the table below.

**Table 14 - Forecast Household Expenditure Generated in the Shire by Retail Store Type (2007\$m)**

Year	2007	2016	2021	2026	2036
Supermarkets & Grocery Stores	792.2	930.7	1,012.8	1,102.1	1,305.1
Specialty Food Stores	270.0	317.1	345.1	375.6	444.7
Fast-Food Stores	247.3	290.6	316.2	344.1	407.4
Restaurants, Hotels and Clubs*	288.6	339.1	369.0	401.5	475.4
Department Stores	244.4	287.1	312.4	340.0	402.6
Clothing Stores	165.1	193.9	211.0	229.7	271.9
Fabric and Soft Goods Stores	22.7	26.6	29.0	31.5	37.3
Furniture & Floor Coverings Retailers	105.6	124.0	135.0	146.9	173.9
Domestic Hardware and Houseware Retailing	93.4	109.8	119.5	130.0	153.9
Electrical Appliances Stores	174.7	205.2	223.3	243.0	287.7
Recorded Music Retailers	10.2	11.9	13.0	14.1	16.7
Sport and Camping Goods Stores	12.5	14.6	15.9	17.3	20.5
Other Personal & Household Goods Retailing	361.9	425.2	462.7	503.5	596.2
Household Equipment & Repairs	11.5	13.5	14.7	16.0	19.0
Selected Personal Services**	87.0	102.3	111.3	121.1	143.4
<b>Total Retailing</b>	<b>2,887.1</b>	<b>3,391.7</b>	<b>3,690.8</b>	<b>4,016.3</b>	<b>4,756.0</b>

\* 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

Source: Marketinfo 2007, ABS Retail Survey 1998-99 (Cat 8624.0) and Hill PDA

Note that the totals in the above tables do not match. This is because some expenditure is captured by non-retailers (such as internet shopping) and some retail turnover is non-expenditure related such as the hire of equipment and wholesale trading.

## 6.5 Escape Expenditure

Sutherland Shire is likely to experience some escape expenditure for two main reasons. Firstly the Shire has a job containment ratio of only 38%. It is generally acknowledged that as much as 10% of household expenditure can be spent close to the place of work and hence there is likely to be some expenditure that escapes to other localities. This was identified in the shopper survey although the level of escape expenditure due to this reason is not significant and in all likelihood comprises no more than 5% of total household expenditure.

There is also likely to be some “tourism-out” expenditure i.e. when Shire residents go on holidays. Again this is likely to be no more than 5% of total expenditure – around 2 to 3 weeks per annum for the average household.

This suggests that around \$250m (plus or minus \$50m) expenditure escaped the Shire in 2007.

## 6.6 Tourism Expenditure

The counter to escape expenditure is “tourism-in” expenditure. According to the Tourism Research Australia the Shire accommodated 18,000 international and 204,000 domestic overnight visitors staying an average of 3 nights. Further to that there were 934,000 day trippers. Surveys have shown that some expenditure is captured from Wollongong residents shopping in Miranda. Cronulla is the other centre that enjoys some tourism related expenditure due to its position on the beach and the convenience of the railway.

According to Tourism Research Australia domestic overnight tourists in Sydney spent an average of \$205 per day of which 39% (\$80) related to food, drink and shopping. A further 7% was spent on entertainment and miscellaneous items. International tourists spend around 30% less than overnight domestic tourists. Day trippers in Sydney spent around \$101 per day in 2005-06 of which 60% was in food, drink and shopping.

From the research provided above, we estimate that around \$100m of retail expenditure from tourism is captured by retailers in the Shire each year.

Net escape expenditure in 2007 was therefore in the order of \$150m.

## 6.7 Demand and Supply of Retail Floor Space

Demand for retail floor space is estimated from the application of target turnover rates to forecast expenditure figures. Table 15 provides target turnover levels, or industry benchmarks, by retail store type for 2007 to 2036.



**Table 15 - Benchmark Turnover Rates \$/sqm GLA (\$2007)\***

Retail Store Type	2007*	2011	2021	2036
Supermarkets & Grocery Stores	9,800	10,057	10,730	11,826
Specialty Food Stores	7,500	7,697	8,212	9,050
Fast-Food Stores	7,500	7,697	8,212	9,050
Cafes and Restaurants	5,000	5,131	5,475	6,034
Department Stores	3,500	3,592	3,832	4,223
Specialty Non-Food Retailing	5,000	5,131	5,475	6,034
<b>Weighted Average</b>	<b>6,971</b>	<b>7,154</b>	<b>7,633</b>	<b>8,412</b>

\* Various sources including Urbis Retail Averages, ABS Retail Survey 1998-99 escalated at CPI to \$2007, Shopping Centre News, Hill PDA and various consultancy studies.

Note that Table 15 above assumes that real turnover per square metre will increase at a rate of around 0.65% per annum. This is in line with historic trends across Australia. Expenditure per capita has increased at around 1.3% to 1.4% above CPI every year since 1986. Around half of this increase has translated into an increase in retail floor space per capita (from 1.8sqm in the 1980s to around 2.1sqm today). The balance of the increase in expenditure has translated into a real increase in turnover per square metre rates.

**Table 16 - Undersupply of Retail Floor Space in Sutherland Shire in 2007 (2007\$m)**

YEAR	\$m Spend in 2007	Target Turnover (\$/sqm)	Demand (sqm)	Supply (sqm)	Under-supply (sqm)	Under-supply (%)
Supermarkets & Grocery Stores	751	9,800	76,640	55,658	20,982	38%
Specialty Food Stores	256	7,500	34,124	17,528	16,596	95%
Fast-Food Stores*	199	7,500	26,574	15,000	11,574	77%
Cafes and Restaurants**	178	5,000	35,570	30,807	4,763	15%
Department Stores	232	3,500	66,201	65,974	227	0%
Specialty Non-Food Retailing	615	5,000	122,902	102,383	20,519	20%
<b>Total Retailing</b>	<b>2,230</b>	<b>6,971</b>	<b>362,012</b>	<b>287,350</b>	<b>74,662</b>	<b>26%</b>

Bulky Goods Stores Excluded

\* Assumes 15% is captured outside retail centres (such as highway petrol outlets)

\*\* Assumes 35% of sit down meals is captured by non-retailers (hotels and clubs)

The above table shows an existing undersupply of non-bulky goods retail floor space in the commercial centres in the Shire of around 75,000sqm or 26% of supply (21% of total demand). The undersupply is confirmed by reported turnover figures at those centres with good anchors including Miranda, Menai and Southgate. These centres are trading 10-20% above national benchmarks (refer to Section 8.3).

In particular there is a substantial undersupply of supermarket space. This is reflected in the strong trading levels of existing supermarkets with several of them trading at double the national average.

The undersupply of retail floor space will be further exacerbated as demand for floor space will increase over time due to population growth and growth in affluence. Under supply in 2021 and 2036 are shown in the tables below.

**Table 17 - Undersupply of Retail Floor Space in Sutherland Shire in 2021 (2007\$m)**

YEAR	\$m Spend in 2021	Target Turnover (\$/sqm)	Demand (sqm)	Supply (sqm)	Under-supply (sqm)	Under-supply (%)
Supermarkets & Grocery Stores	961	10,730	89,568	57,958	31,610	55%
Specialty Food Stores	328	8,212	39,886	17,528	22,358	128%
Fast-Food Stores	264	8,212	32,152	15,000	17,152	114%
Cafes and Restaurants	238	5,475	43,553	30,807	12,746	41%
Department Stores	297	3,832	77,369	65,974	11,395	17%
Specialty Non-Food Retailing	786	5,475	143,651	102,383	41,268	40%
<b>Total Retailing</b>	<b>2,874</b>	<b>7,633</b>	<b>426,179</b>	<b>289,650</b>	<b>136,529</b>	<b>47%</b>

Bulky Goods, hotels and clubs and highway fuel outlets excluded

**Table 18 - Undersupply of Retail Floor Space in Sutherland Shire in 2036 (2007\$m)**

YEAR	\$m Spend in 2036	Target Turnover (\$/sqm)	Demand (sqm)	Supply (sqm)	Under-supply (sqm)	Under-supply (%)
Supermarkets & Grocery Stores	1,236	11,826	104,544	57,958	46,586	80%
Specialty Food Stores	421	9,050	46,555	17,528	29,027	166%
Fast-Food Stores*	340	9,050	37,529	15,000	22,529	150%
Restaurants, Hotels and Clubs**	293	6,034	48,598	30,807	17,791	58%
Department Stores	381	4,223	90,308	65,974	24,334	37%
Specialty Non-Food Retailing	1,012	6,034	167,674	102,383	65,291	64%
<b>Total Retailing</b>	<b>3,684</b>	<b>8,412</b>	<b>495,209</b>	<b>289,650</b>	<b>205,559</b>	<b>71%</b>

Bulky Goods, hotels and clubs and highway fuel outlets excluded

The tables above illustrate the need to plan for 136,000sqm of floor space by 2021 and a further 68,000sqm by 2031. 136,000sqm of floor space by 2021 is a significant level of space – almost 20,000sqm more than all of the occupied retail floor space in the centre of Miranda. Note also that the figures above do not include bulky goods retailing. **To illustrate the level of this demand, by 2036 two additional shopping centres, each the size of Miranda Westfield will be required to satisfy demand.**

## 6.8 Unmet Demand for Retail Floorspace

With the likely level of demand for retail floorspace identified we need to discount those developments that are already occurring or just mooted. We acknowledge that some of these developments have currently been deferred (such as the expansion of Miranda Westfield) and they may not all be developed, however it is appropriate to consider a worst case scenario and we have not discounted any of these proposals. In any event, it is likely that over the Study period new schemes will emerge to replace these.

Combining a number of resources Hill PDA has identified approximately 94,000sqm of retail floorspace in the development pipeline. When taken from the estimated level of future demand indicates that more than 111,000sqm of additional retail floorspace will need to be accommodated within the Shire by 2036.

**Table 19 - Retail Developments in the Pipeline**

Centres	Known/Mooted Developments (Sqm)
Bundeena	633
Caringbah	15,326
Cronulla	313
Dolans Bay	200
Engadine	5,777
Gymea	3,155
Kareela	6,488
Kirrawee	21,420
Kurnell	932
Miranda	24,315
Sutherland	4,930
Sylvania	3,291
Woolooware	7,451
<b>Total</b>	<b>94,231</b>

Source: Cordell Connect and Hill PDA Floorspace Survey 2010 and Research

## 7. DEMAND FOR DWELLINGS

The primary driver of demand for residential dwellings is population growth. As discussed in Chapter 4 of this Study, the most recent population forecasts for Sydney have increased growth expectations anticipating an additional 1.7 million people will be living in Sydney by 2036. In addition to population growth, other drivers of housing demand relate to lifestyle trends including the ageing of the population, declining family sizes and fertility rates. Combined these factors are reducing household occupancy rates and in turn increasing demand for housing in Sydney (particularly smaller housing types) above the demand generated by population growth alone. In fact, the implications of these trends are such that even if Sydney did not experience any population growth, more dwellings would be needed over time<sup>29</sup>.

This Chapter draws upon the key findings of Chapter 4 and its profile of social trends. It also draws on the findings of the proceeding Chapter, relating to the constraints of the housing market with respect to dwelling availability (particularly in relation to smaller dwellings). When combined, the findings of Chapter 4 and 8's research assists in the quantification of the likely level of demand for housing in the Shire over the Study period.

### 7.1 Dwelling Targets and Demand

As discussed in the introduction of this Chapter, Sydney is forecast to experience significant growth in demand for housing over the next 30 years with Sydney's population now forecast to reach 6 million by 2036. The NSW Government's review of the Metropolitan Strategy acknowledges the implications of this growth as the need to *"ensure an adequate supply of land and a mix of housing that meets housing demand"*. On the basis of forecast population growth, the Department of Planning (DoP) has identified the need for an additional 777,000 dwellings in Sydney by 2036<sup>30</sup>.

Translating this growth down to the subregional level, the DoP forecasts that an additional 96,200 people will be living in the South Subregion of Sydney by 2036. Accordingly to meet this growth in population and their housing needs, in addition to the effect of social trends, the DoP has established a target of 52,900 dwellings for the South Subregion between 2006 and 2036.

Chapter 4 of this Study translated the DoP's forecasts for the South Subregion to the LGA level. It found that the revised residential target for Sutherland Shire could be in the order of 15,265 dwelling by 2036<sup>31</sup>. This would represent an increase of over 5,100 dwellings to the previous 30 year target and would be indicative of the greater demand for housing that will be placed on all areas within Sydney over the next thirty years to meet population growth pressures. To achieve this target, the Shire would be required to provide an additional 508 dwellings per annum.

<sup>29</sup> Metropolitan Strategy Review, Sydney Towards 2036, NSW Government 2010

<sup>30</sup> Metropolitan Strategy Review, Sydney Towards 2036, NSW Government 2010

<sup>31</sup> Calculation assumes same proportional dwelling split as the draft South Subregional strategy

Table 20 below summarises the TDC's forecasts for population growth in the Shire in comparison to the DoP's housing targets over a 30 year period in keeping with the draft Subregional Strategy's timeframe (2001-2031) and the Metropolitan Review's timeframe (2006-2036). It shows that whilst current population forecasts may only yield demand for in the order of 10,000 new dwellings, the DoP's targets are likely to increase the realisation of population growth by encouraging greater residential development in the Shire to assist in meeting Sydney's growing housing need.

**Table 20 - Demand for Dwellings in Sutherland Shire LGA**

Period	Net Forecast Population Growth	Dwelling Demand	Department of Planning Target
2001 – 2031	26,562	10,216*	10,100
2006 – 2036	25,924	10,370**	15,265

Source: TDC Population Forecasts and DoP

\* Based on an occupancy rate of 2.6

\*\* Based on an occupancy rate of 2.5 in keeping with Metropolitan Strategy Review

## 7.2 Demand for Dwelling Location and Type

Not only is there a need to increase the supply of housing in the Greater Metropolitan Region, but there is also a recognised need to provide a range of housing types and housing locations to cater to Sydney's changing lifestyle requirements and preferences.

In this respect the DoP has identified the importance of providing housing in locations that are in close proximity to transport hubs in order to reduce the cost and time of traveling and to improve access to jobs and services without a reliance on private vehicles. In this regard the review of the Metropolitan Strategy states that:

*"Housing must be provided in the right location, to reduce the environmental impacts of travel, increase affordability, reduce congestion and improve quality of life. Housing must also be to the standard the community expects."*<sup>32</sup>

Given this requirement, the DoP is targeting 80% of all infill development in Sydney to occur within walking distance of a transport hub, such as a rail station. The DoP is also highlighting the fact that *"smaller housing – for example 1 and 2 bedroom dwellings – must be planned for"*<sup>33</sup>. The demand for smaller housing is a result of the social trends discussed above as well as the price point for affordability.

<sup>32</sup> Page 21, Metropolitan Strategy Review, Sydney Towards 2036, NSW Government 2010

<sup>33</sup> Page 21, Metropolitan Strategy Review, Sydney Towards 2036, NSW Government 2010

## 7.3 Unmet Demand for Residential Floorspace

Despite the rapidly growing demand for housing in NSW, the provision of housing in recent years has been low with the NSW Government recognising that the housing market hit a downturn last year<sup>34</sup>. Some sources report that Sydney is experiencing its lowest rate of housing growth in 50 years<sup>35</sup> with the gap between housing demand and supply becoming ever worse. In fact Access Economics states that NSW has slumped from contributing more than an third of new houses in Australia to fewer than a fifth in a single decade, with little indication that this will change in the short term. To exemplify this point, between 2007 and 2008 only 15,000 additional dwellings were built in the Sydney SD in comparison to 32,000 between 1999 and 2000<sup>36</sup>.

According a report by the federal government's National Housing Supply Council found that as Australia's strong population growth continues to accelerate, the combined housing shortfall could nationally reach 500,000 homes and apartments by 2029. Meanwhile research by the Chief Economist for ANZ, Saul Eslake has revealed that last year there were just 333 dwellings completed across Australia for every 1,000 increase in population – less than half the rate of ten years ago. Furthermore despite Sydney having the greatest share of Australia's population, housing starts in Sydney have been outstripped by Adelaide and Melbourne.

The impact of low housing supply in comparison to high demand will be to drive the cost of housing upwards, exacerbating concerns regarding housing affordability. In the case of Sutherland Shire, we have estimated that based on the Shire's population forecasts and dwelling targets, between 933,300sqm and 1.37million sqm of additional residential floorspace or 10,370 to 15,265 dwellings will be required over the Study period<sup>37</sup> to accommodate demand.

Notwithstanding the above mentioned demand for floorspace and estimates that the Shire will need to provide more than 500 new residential dwellings per annum, Hill PDA has found that housing supply in the Shire is at a five year low. Hill PDA has also found that just under 3,000 dwellings are currently in the Shire's development pipeline or even mooted. The potential developments by location are provided in Table 21 below.

<sup>34</sup> Minister Keneally, NSW Government Press Release April 2009

<sup>35</sup> Rents to soar as housing crisis worsens, Daily Telegraph March 25, 2009

<sup>36</sup> Metropolitan Strategy Review, Sydney Towards 2036

<sup>37</sup> Although dwellings will need to be provided in a range of sizes we have multiplied the number of dwellings by 90sqm (the size of an average 2 bed dwelling/unit).

Table 21 - Residential Developments in the Pipeline

Centres	Known / Mooted Developments (No of Dwellings)	Known / Mooted Developments (Sqm)
Bangor	42	4275
Barden Ridge	62	6309
Bundeena	21	2140
Burraneer	3	309
Caringbah	179	18208
Cronulla	196	19937
Dolans Bay	2	207
Engadine	120	12208
Grays Point	3	309
Gymea	83	8445
Heathcote	16	1631
Illawong	31	3157
Jannali	35	3564
Kirrawee	604	61431
Loftus	5	513
Miranda	381	38752
Sutherland	452	45972
Sylvania	420	42718
Woolooware	154	15666
Yowie Bay	118	12005
<b>Total</b>	<b>2,927</b>	<b>297,756</b>

Source: Cordell Connect and Hill PDA Research

Figures in italics are Hill PDA approximate based on 102sqm unit

In light of the social and economic trends described above, it is highly likely that the availability of housing and its affordability will become a growing matter of concern in the Shire. Forecast population growth compared to low levels of housing start up will drive significant demand for new and more affordable units. This will generally translate into additional smaller apartments. Indeed it is the anticipation of this undersupply that is driving a significant shift in Government Policy to encourage a greater number of dwellings, in sustainable locations around transport hubs, to prevent a major housing affordability crisis in Sydney. The DoP is calling on all local government areas to respond to this growing need.

## 7.4 Key Findings

- The primary driver for residential demand is population, however changing lifestyle and social trends such as population ageing, declining family sizes and fertility rates are also contributing factors.
- Population growth forecasts for Sydney have been revised upwards so that Sydney will now need to accommodate 1.7 million additional residents by 2036.
- In order to support Sydney in accommodating the forecast growth in population, it is anticipated that Sutherland Shire will need to provide between 10,370 and 15,200 additional dwellings by 2036, representing over 500 additional dwellings per annum.



- To accommodate this growth sustainably, 80% of all new housing is targeted for locations within walking distance of public transport. This will necessitate the approval of higher density and smaller (1 and 2 bedroom) apartment dwellings to maintain affordability.
- Despite growing demand for new housing, Sydney in recent years has experienced some of its lowest housing supply rates. Sutherland Shire is no exception to this trend experiencing a 5 year low in housing starts.

## 8. MARKET CONSIDERATIONS

Having considered existing and forecast demand for retail, commercial (office and industrial) and residential floorspace at a strategic level it is essential to consider the market demand for these land uses. This analysis will be used to inform the assumptions made in the development feasibilities within Part B. Understanding the financial realities is essential for the delivery of urban renewal.

In this Chapter we provide an overview of microeconomic trends and drivers influencing various property markets (residential, industrial, commercial office and retail) in the Southern Subregion. A specific focus has been provided to the Sutherland Shire and the suburb of Kirrawee owing to the focus of the Study in Part B. The Sutherland Shire is predominantly residential in character however there are also substantial pockets of industrial and commercial uses.

This Chapter compares key indicators such as the availability of space, vacancy rates, take up rates, rents and sales values to competing and comparable markets. These factors are important as they provide a better understanding of the strength of the existing market and its desirability to prospective developers.

To inform this research we have drawn on past Hill PDA studies, sales and leasing databases (such as PIMs, Red Square and RP Data), market indicator reports, analysis of current listings, development databases such as Cordell Connect, discussions with local agents, business owners and developers in addition to general desktop market research conducted by Hill PDA.

### 8.1 Commercial Offices

The past 12-18 months has been a significant period for Sydney's commercial office markets. During this period the market has slowed, particularly following the GFC, with vacancies and incentives rising in contrast to declining rents and capital values.

As of February 2010, suburban office markets in metropolitan Sydney have recorded their highest vacancy rates in almost 15 years. One of the main reasons for this is the re-emergence of CBD locations which are now more affordable and have attractive incentives, leaving demand in the suburbs flatter.

Overall, the outer Sydney suburban office markets have performed relatively well in unfavourable market conditions when compared to major office markets.

Outlined in Table 22 below are relevant market indicators for the key office markets in Sydney:

Table 22 - Sydney Commercial Office Indicators by Market

Market:	Total Stock (Sqm)	Annual Net Absorption (Sqm)	Vacancy (%)	Avg Prime Net Face Rent (\$/Sqm)	Avg Prime Yield (%)	Avg Capital Value (\$/Sqm)
Sydney CBD	4,729,975	(142,498)	8.10	616	7.68	8,027
North Shore	1,486,758	(39,820)	13.70	433	8.70	4,982
Macquarie Park	783,257	5,214	12.20	300	8.75	3,429
Parramatta	682,557	22,038	9.80	326	8.75	3,727
Wollongong	138,729	(2,252)	8.10	n/a	n/a	n/a
Suburban						
North	871,146	10,809	12.70	288	9.50	3,031
City Fringe	827,660	28,326	8.30	377	8.96	4,204
Central West	483,779	60,430	3.70	294	9.13	3,220
<b>South</b>	<b>415,198</b>	<b>(356)</b>	<b>6.20</b>	<b>285</b>	<b>9.42</b>	<b>3,021</b>
South West	182,155	(704)	7.70	232	10.30	2,254
West	136,415	(6,400)	14.40	232	10.13	2,287
<b>Total Suburban</b>	<b>2,916,353</b>	<b>92,105</b>	<b>8.80</b>	<b>308</b>	<b>9.35</b>	<b>3,288</b>

Source: CB Richard Ellis September 2009, Property Council of Australia February 2010

Supply of quality commercial office floorspace in the Sutherland Shire is limited. The main supply of floorspace is located in the suburbs of Sutherland, Caringbah, Engadine and Cronulla. There is an abundance of secondary grade walk-up shop front commercial space in the Shire. There is also a considerable amount of office space located ancillary to industrial properties i.e. office components in warehouses and showrooms e.g. Caringbah. The Shire office market is dominated by owner occupiers as opposed to investors.

Typical office buildings within the Shire have rents of \$300/sqm to \$360/sqm and capital values ranging between \$3,000/sqm and \$4,000/sqm, depending on the location and quality of the stock.

There has been very little market activity in the previous 12-18 months. Overall vacancies are relatively low and there is also little on the market at the moment, suggesting it is tightly held.

According to local selling agents, the commercial office market within the Shire is seen as 'patchy' i.e. levels of demand and enquiries are inconsistent. There is overall demand for office space in the Shire; however, there isn't suitable supply to satisfy this demand, especially high quality office suites (A-Grade) with internal areas greater than about 100sqm.

There is demand for office suites with areas of around 300sqm – office suites larger than these would take some time to sell or lease up. There are many current office tenants that occupy several smaller suites simply because there aren't larger suites available. If larger spaces were available then these businesses would most likely consolidate the space.

Similar to the retail market, the commercial office market in the Shire has been slow in the last 12-18 months, consistent with Sydney-wide trends. The office leasing market has been particularly slow. However, recent sales and leasing data and discussions with local agents indicate that there have been noticeable improvements in the last few months as the market slowly recovers post-GFC.

Any new commercial office space in Kirrawee would result in more workers in the area, which will support current and future retailing in Kirrawee and surrounds.



However, any new office space in Kirrawee must be affordable for it to be accepted by the market. For example, take up of a new prestige office development in Cronulla (28-32 Kingsway – see left) has been very slow. The development provides 26 offices and 8 ground floor retail tenancies with asking rents of \$550/sqm to \$680/sqm per annum and selling for \$7,000/sqm to \$9,000/sqm. Only about half the offices have sold since selling commenced in 2008, mainly because of the price point and the niche market it targets. New office space in Kirrawee should have asking rents of no more than \$400/sqm and selling for around \$3,000/sqm.

There has been limited commercial office development in the Shire in the last 2-3 years. The GyMEA Business Centre will be a mixed use development when complete, the first of its kind in GyMEA Village. The project consists of a 3 storey building comprising ground floor retail shops (1,020sqm) and 2 storeys of commercial office space (2,135sqm). Levels of enquiry for the office space have been strong; however, it hasn't translated into any pre-commitments. It is likely that commencement of this project will be in mid-2010.

Another new commercial development is the Kiora Centre in Miranda. The Kiora Centre has been developed slowly over the past 3 years. The development provides offices ranging in size from 65sqm to 132sqm. Some of the office suites are leased however there are several still available mainly because the development is not yet complete. Net rents range between \$320/sqm and \$350/sqm per annum.



## 8.2 Industrial Market Considerations

The Sydney industrial property market has begun to stabilise due to an increase in demand and enquiry from private investors and owner occupiers over the second half of 2009. Stronger than expected economic data, such as retail growth and employment figures, has improved business sentiment. This has boosted imports and exports, which generally drive the overall industrial property market.

The turnaround in sentiment has had a positive impact on the income side for industrial property. The fourth quarter of 2009 saw rents increase in most of Sydney's industrial markets. Sutherland Shire was however one of the only markets to record negative rental growth in 2009.

Outline in Table 23 below are relevant market indicators for Sydney's major industrial markets:

Table 23 - Sydney Industrial Market Indicators

Table 20 Sydney Industrial Market Indicators						
Geographic Sector	Avg Net Face Rent (\$/Sqm)	Yield Range (%)	Avg Capital Value (\$/Sqm)	Avg Net Face Rent (\$/Sqm)	Yield Range (%)	Avg Capital Value (\$/Sqm)
1. Distribution Centre			2. Warehouse			
North	115	-	-	178	9.25 - 10.00	1,843
Central West	-	8.25 - 8.75	1,353	123	8.00 - 9.00	1,464
South	125	8.50 - 9.00	1,429	125	8.25 - 8.75	1,471
Outer North West	108	8.25 - 8.75	1,271	105	8.50 - 9.25	1,182
Outer Central West	105	8.50 - 9.00	1,200	110	8.25 - 8.75	1,279
Outer South West	107	8.50 - 9.50	1,223	93	8.25 - 9.75	1,017
Outer South	-	-	-	125	8.25 - 8.75	1,471
3. Unit Estates			4. High Tech			
North	183	9.00 - 9.75	1,946	208	8.75 - 10.25	2,189
Central West	-	-	-	-	-	-
South	150	8.50 - 9.00	1,714	180	8.00 - 8.75	2,148
Outer North West	100	9.00 - 9.50	1,081	-	-	-
Outer Central West	95	9.50 - 10.00	974	-	-	-
Outer South West	-	-	-	-	-	-
Outer South	131	8.00 - 9.00	1,541	-	-	-
Land Values < 0.25ha (\$/Sqm)			Land Values 0.25ha - 1.6ha (\$/Sqm)			
North			400 - 800			300 - 900
Central West			425 - 550			350 - 400
South			750 - 1,200			500 - 1,000
Outer North West			300 - 350			175 - 275
Outer Central West			325 - 375			275 - 325
Outer South West			200 - 375			175 - 325
Outer South			650 - 850			500 - 650

Source: CB Richard Ellis, December 2009

On the supply side, new industrial construction in 2009 was over 40% lower than levels in 2008. Even fewer projects are planned for completion in 2010. However, there are a considerable number of projects that have been placed on hold and are awaiting pre-commitments that may potentially be brought forward in 2010.

Industrial land values continued to decline in 2009 as a result of a shortage of development finance combined with a reduction in demand for pre-commitments for industrial space. Land values have declined in value by as much as 40% in some of Sydney's industrial markets. Industrial land values are now close to the bottom and are expected to slowly recover in 2010/2011.

### **Southern Sydney Industrial Market**

The Southern Sydney industrial market can be divided into two sub-markets. The Inner South market includes the industrial areas of the suburbs of Alexandria, Botany, Mascot and surrounds. This market is one of the most sought after in Sydney – industrial land values are the highest in Sydney, reflecting the desirability and scarcity of land in the area.

The Outer South market incorporates the industrial areas of the Sutherland Shire, including the suburbs of Caringbah/Taren Point, Menai and Kurnell. Although not considered a major industrial market, Kirrawee is also located in the Outer South market. The Outer South market is largely dominated by the food manufacturing, wholesale and automotive industries.

The figure below illustrates the major industrial markets in Southern Sydney (note: Kirrawee is not considered one of the major industrial markets).

**Figure 4 - South Sydney Industrial Market**



Source: Knight Frank 2009

On the supply side, as at November 2009, there was around 19,500sqm of potential industrial floorspace across four developments likely to be completed by 2011 in the Outer South. The majority of this will be provided by 3 Box Street in Caringbah (16,000sqm) which is due for completion in early 2010. The remainder of the stock has development approval and is estimated to be completed by the end of 2010. This is about 5,800sqm above the 5 year historic average for the Outer South market.

Looking forward into 2011, there are few industrial developments in the pipeline in the Outer South. There is around 7,900sqm of possible industrial supply on hold waiting for pre-commitments and the further strengthening of underlying economic fundamentals. Anecdotally Hill PDA has been informed that applications in for new industrial projects in the Sutherland Shire have often fronted long delays in the approval process.

Land values have been resilient in the Outer South – most industrial markets in Sydney have seen land values fall by as much as 40-50%. Land values in the Outer South have only fallen marginally in the last 12 months. There were no recorded falls for fully serviced larger lots (1.6ha) until the second quarter of 2009, when they only fell by around 4%. Similarly, land values for 0.25ha lots fell by about \$50/sqm to be at \$750/sqm in the 12 months to December 2009.

According to CBRE research, industrial rents have fallen by 3.7% in the Outer South in the 12 months to December 2009 – one of the only industrial markets in Sydney to do so. They are now at their 2006/07 levels.

The Outer South industrial market mainly services the needs of the Sutherland Shire and experiences a fairly consistent level of investment demand, resulting in minimal fluctuations in yields and capital values. Capital values peaked in December 2007 at around \$1,900/sqm and are now about \$1,500/sqm (December 2009). This has presented local and private investors with potential investment opportunities.



## Kirrawee

As described previously, Kirrawee's has a relatively large employment lands/industrial area. Flora Street, located south of the Princes Highway, features small businesses, light industries and urban support services such as auto-repairs. These properties are characterised by small premises on larger blocks of land. There is also another cluster of industrial properties located between the Highway and Flora Street bound by the Brick Pit to the west and Bath Road to the east.



The remainder of Kirrawee's employment lands are located north of the Highway, extending as far north as Garnet Road. This is Kirrawee's main industrial precinct and is characterised by 'Big-Box' industrial buildings comprising a mix of industrial unit estates and factories and warehouses.

The Kirrawee industrial market has historically performed strongly, mainly due to constrained supply. Similar to other industrial markets, the Kirrawee market struggled slightly through the financial crisis. However, based on recent market activity and discussions with

local selling agents, it is apparent that the market has commenced its recovery in the last 6 months.

Historically Kirrawee has enjoyed healthy demand for industrial strata space however opportunities for larger industrial land supplies have been limited. Agents have made the comment that Kirrawee's industrial precinct is traditionally tightly held. A large proportion of industrial properties in Kirrawee are filled by Shire residents and business owners.

There is a large range of capital values being achieved for industrial properties in Kirrawee. Influencing factors include location, access, exposure, site area and age/condition. For example, values are lower for older industrial properties located along Flora Street compared to new buildings in industrial estates.

Capital values in Kirrawee generally achieve \$1,800/sqm to \$2,200/sqm. Newer industrial properties in premium locations have been achieving \$2,200/sqm to \$2,800/sqm. Examples of such properties include 2 Ethel Road, Oak Road Estate (see right) and 423 The Boulevard.





Rental evidence for Kirrawee is somewhat limited. Recent leasing evidence combined with discussions with local leasing agents and analysis of current leases indicate that industrial properties in Kirrawee generally achieve face rents of \$100/sqm to \$160/sqm per annum. Newer industrial properties in premium locations have been achieving up to \$180/sqm to \$200/sqm per annum.

Similarly, there have been limited development site sales in Kirrawee in the last 12 to 18 months. Land values in Kirrawee generally achieve between \$700/sqm and \$1,000/sqm.

### **Caringbah and Taren Point**

Caringbah and Taren Point industrial lands are located approximately 5km to the east of Kirrawee. They provide the bulk of industrial floorspace in the Outer South. There is a considerable amount of industrial stock in Caringbah and Taren Point on the market presently for sale and for lease.

There are a number of sites in Caringbah/Taren Point that provide the market with development opportunities which attract other hi-tech and heavy industrial users.

Capital values and rents received for industrial property in Caringbah/Taren Point are relatively similar to those being achieved in Kirrawee. Locations with high exposure and access (such as Taren Point Road) achieve higher values and rents. Typically, capital values range between \$2,000/sqm and \$2,500/sqm. High quality, modern, new developments in premium locations have been achieving up to \$3,000/sqm.

Major investment sales have been limited in the last 12 months. Table 24 below shows recent industrial property sales in Caringbah and Taren Point.

**Table 24 - Industrial Sales Caringbah & Taren Point**

Address	Suburb	Space Use	Sale Price	Building Area (Sqm)	\$/Sqm	Date
234 Taren Point Road	Taren Point	Office & Warehouse	\$ 800,000	250	\$3,200	Mar-09
56-58 Bay Road	Taren Point	Factory	\$2,050,000	1257	\$1,631	Apr-09
58 Box Road	Taren Point	Warehouse & Office	\$ 530,000	271	\$1,956	Dec-09
70-72 Captain Cook Dr	Taren Point	Warehouse	\$ 310,000	141	\$2,199	Jan-10
7 Production Road	Taren Point	Warehouse & Office	\$ 400,000	163	\$2,454	Nov-09
4-6 Meta St	Caringbah	Warehouse & Office	\$1,595,000	1126	\$1,417	Jul-09
95 Parraweena Rd	Caringbah	Factory	\$1,300,000	585	\$2,222	Aug-09
14 Resolution Dr	Caringbah	Warehouse Unit	\$ 550,000	414	\$1,329	Dec-09

Source: PIMS, Red Square, Hill PDA 2010

Rents for industrial properties in Caringbah and Taren Point have typically been achieving \$120-\$170/sqm. New developments in premium locations achieve up to \$200/sqm, for example:

- 1 Box Road in Caringbah provides a modern 116sqm warehouse located in a new industrial estate with an asking rent of around \$185/sqm per annum; and
- Sydney Mesh & Steel commenced a 5-year lease in January 2009 for 1,314sqm of space located at 11-15 Captain Cook Drive for a gross rental of \$198/sqm per annum.

Industrial development land in Caringbah and Taren Point has been achieving between \$850/sqm and \$1,100/sqm (compared to Kirrawee \$700-\$1000/sqm).

There have been several new industrial developments completed in Caringbah and Taren point in the past couple of years, met with differing levels of demand. Enterprise Industrial Estate comprises 4 showrooms, 23 industrial units and self storage units. They started selling well about a year ago off the plan however there are a number of premises still on the market which the agents are having difficulty moving.



3 Box Road in Taren Point (see left) is a new industrial complex that is around 95% completed to date. It consists of 22 high clearance warehouses and offices on 3 blocks. They are currently selling and leasing off the plan. According to the agent, only a couple have been sold (not at arms length). Hill PDA has been informed that the main reason is that it is too expensive (starting at \$3,000/sqm) and marketing hasn't been successful.

### Kurnell & Other Industrial Areas

The Kurnell industrial market is seen as an alternative to Kirrawee, Caringbah and Taren Point. Values and rents are noticeably cheaper in Kurnell, mainly because of its location and other issues such as the desalination plant. Capital values generally range between \$1,500/sqm and \$1,800/sqm. Rents range between \$90/sqm and \$130/sqm per annum.

There are some good quality new industrial complexes in Kurnell, such as the Cook and Bank Industrial Estate (see right). However, demand has been somewhat limited. Several agents indicated that Kurnell caters for the future demand in the Southern area i.e. in 5 or 10 years demand will increase. Asking rents in the Cook and Bank Estate are \$95/sqm – the agent indicated that he would accept about \$80/sqm at this stage.



There are also some other smaller clusters of industrial properties, such as Miranda and Heathcote. They typically achieve capital values and rents similar to those achieved in Kirrawee, Caringbah and Taren Point depending on the nature and quality of the building.

Recent sales in these areas are summarised below:

**Table 25 - Industrial Sales in Kurnell and Other Industrial Areas**

Address	Suburb	Space Use	Sale Price	Building Area (Sqm)	\$/Sqm	Date
Unit 12, 260 Captain Cook Drive	Kurnell	Office & Warehouse	\$500,000	284	\$1,761	Jan-09
15-23 Kumulla Rd	Miranda	Factory Unit	\$525,000	250	\$2,100	Sep-09
205 Port Hacking Rd North	Miranda	Office & Warehouse	\$623,000	321	\$1,941	Mar-09
Lot 5, 260 Captain Cook Drive	Kurnell	Warehouse	\$4,500,000	3170	\$1,420	For Sale
Cnr Sir Joseph Banks Dr & Chisolm Rd	Kurnell	Office & Warehouse	\$1,680,200	1084	\$1,550	For Sale
Unit 6/13-15 Burns Road	Heathcote	Factory Unit	\$335,000	149	\$2,248	For Sale
Unit 8/13-15 Burns Road	Heathcote	Factory Unit	\$299,000	141	\$2,121	For Sale
Address Unknown	Heathcote	Warehouse	\$899,950	446	\$2,018	For Sale

Source: PIMS, Red Square, Hill PDA 2010

## 8.3 Retail Market Considerations

In Australia, retail expenditure has seen stable growth throughout 2009, assisting the recovery of the Australian economy. The Federal Government's stimulus package was successful in addressing the downward trend in retail expenditure. Since then, retail data indicates that Australian retailers have continued to perform steadily on the back of strengthening consumer sentiment.

Retail investment activity in NSW and Sydney was limited in 2009 as there were few investment opportunities. Similar to other commercial property markets, retail assets have seen capital values decline over the past two years from when they peaked in 2007. Since 2007, it has been the smaller centres, such as neighbourhood and sub-regional centres, that have made up the larger share of sales activity.

In 2010/2011, it is likely that private investors will form the majority of the buyer profile. However, Listed Property Trusts may re-enter the market to make the most of investment opportunities in the retail sector, especially in the sub-regional asset class. The level of investment activity will be highly dependent on the availability of finance for potential investors and purchasers.

In NSW and Sydney, bulky goods retailing has been one of the fastest growing sectors, doubling in size over the last 6 years. The development pipeline is strong in bulky goods resulting in a potential oversupply of space. After a strong year of retail turnover in 2009, the bulky goods sector is generally facing limited rental growth prospects and little capital expenditure from owners.

Historically, the NSW retail property sector performed solidly between 1998 and 2008, averaging returns of 13.5% per annum. Leading economists believe that 2010 will be a year of consolidation, whereas 2011 will be a year of growth in the retail property market.

Outlined in Table 26 below are relevant market indicators for the Sydney retail market.

**Table 26 - Sydney Retail Market Indicators**

	Avg Net Face Rents (\$/sqm)	Yield Range (%)	Vacant Rate (%)
<b>Sydney CBD</b>	530 - 13,560	5.50 - 8.50	0.59
<b>Shopping Centres:</b>			
Regional	1,250 - 3,500	5.50 - 7.50	0.89
Sub-Regional	500 - 2,000	7.00 - 8.25	-
Neighbourhood	400 - 1,350	7.25 - 9.25	-
<b>Bulky Goods Centres:</b>			
Prime	150 - 700	7.50 - 11.00	3.1
Secondary	150 - 230	9.50 - 11.25	11.3

Source: CB Richard Ellis, December 2009

### Sutherland Shire Retail Market

As discussed earlier, the main retail centres in terms of retail floorspace in the Sutherland Shire are Miranda, Cronulla, Caringbah, Engadine, Taren Point (bulky goods), Menai, Sylvania and Sutherland. There are also numerous smaller clusters of retail floorspace in suburbs such as Kirrawee, Gymea, Illawong and Kareela.

Table 27 below outlines the shop front vacancies for various retail centres within the Shire.

**Table 27 - Sutherland Shire Retail & Commercial Shop Front Vacancies**

	Vacant	No. of Shopfronts	Vacancy Rate
Kirrawee	0	0	0.0%
Miranda	2,836	9	2.3%
Cronulla	532	6	1.7%
Engadine	2,627	28	7.3%
Caringbah	2,983	20	8.2%
Taren Point (Bulky Goods)	0	0	0.0%
Menai	0	0	0.0%
Sylvania	1,447	11	4.7%
Sutherland	764	4	3.9%
Remaining Centres	1,643	14	3.4%
<b>Total</b>	<b>12,832</b>	<b>92</b>	<b>3.5%</b>

Source: Hill PDA 2010

From the table it can be seen that the overall shop front vacancy for the Shire is relatively low at 3.5%. Caringbah and Engadine recorded the highest vacancies, at the 8.2% and 7.3% respectively. There are a number of retail shop fronts currently for lease on The Kingsway in Caringbah. There were no vacancies in Kirrawee and only one vacant shop front in Gymea.

There has been very little market activity in the previous 12-18 months – a trend consistent with other suburban retail markets in Sydney. However, there have been signs of the market picking up in the last few months.

Recent leasing data indicates that rents for ground floor retail space in new mixed use developments generally range between \$350/sqm and \$500/sqm per annum depending on size and location. This can be compared to rents for traditional shop front space which range from \$500/sqm to \$800/sqm. Rents for specialty shopfront space in shopping centres generally start at \$700/sqm to \$800/sqm. Bulky goods rents range between \$300/sqm and \$400/sqm per annum.

There have been limited retail sales in the past two years. Capital values in the Shire range from \$3,500/sqm to \$8,000/sqm, depending on its size, location, age and condition.

Demand and take up of ground floor retail space in mixed use developments has been strong. For example, 570 President Avenue in Sutherland provides tenants with quality retail space with rents ranging from \$250/sqm to \$480/sqm. The majority of this space has been leased, the remainder expected to be leased once the development is complete.

Local agents believe that some form of retail on the Brick Pit site would be very marketable and met with strong demand. It would complement existing retailers in Kirrawee and create a village atmosphere similar to that in Gymea.

After a strong couple of years the Bulky goods market in the Shire has slowed. Traditional bulky goods locations such as Taren Point continue to perform relatively well however other locations have had problems securing major tenants. This is currently being experienced in a new 4,500sqm bulky goods development located at 90-108 Captain Cook Drive, Caringbah. When complete, the development will comprise 4 levels, of

which 3 levels are approved for bulky goods, 1 for commercial purposes. There are strong levels of enquiry but it isn't translating into pre-commitments. The asking rent of \$400/sqm (considered high for bulky goods in the area) is deterring many potential tenants.

### **Southgate Shopping Centre**

Southgate Shopping Centre (see right) is a sub-regional shopping centre located in Sylvania approximately 5km north of Kirrawee. The Centre is owned by ISPT Super Property and managed by Jones Lang LaSalle.

According to the Centre Manager, Southgate is a fantastic performer in Jones Lang LaSalle's shopping centre portfolio of 23 centres. It is driven by strong sales in fashion as well as fresh fruit and vegetables. Its only constraint is the small size of its specialty shops (these could be bigger).



In the year to September 2009, the Centre reported a turnover of \$168.68m, equating to \$7,438/sqm (GLA). Southgate achieves a greater annual turnover per-square-metre when compared to other shopping centres of the same size which average approximately \$6,700/sqm.<sup>38</sup>

The rents being paid by tenants in Southgate are well above the market average by around 40%. This may be indicative of the centres strong performance and overtrading discussed in Chapter 6. The major supermarkets (Woolworths and Coles) are paying around \$360/sqm per annum, K-Mart is paying around \$260/sqm per annum and the specialties pay between \$1,200/sqm and \$1,800/sqm per annum. Typical specialties in a sub-regional shopping centre should be pay around \$800/sqm per annum.

### **Westfield Miranda Expansions**



Westfield Miranda (see left) is a super-regional shopping centre located around 3km east of Kirrawee.

In 2009, the Centre reported a turnover of \$699.2m – equating to \$7,062/sqm (GLA). The average for similar sized centres is around \$6,500/sqm.

It is understood that development approval has been given for the redevelopment of Westfield Miranda however the project has been deferred indefinitely. If it eventually goes ahead, the new additional retail tenancies within the \$300m retail expansion will include a supermarket, several mini majors and a number of

<sup>38</sup> Shopping Centre News – Volume 27, Number 5 – Little Guns 2009

new specialities totalling an additional 17,700sqm of floorspace. It will also include a boutique 4 screen cinema.

## 8.4 Residential Market Considerations

The NSW residential property market has commenced its recovery from the Global Financial Crisis. Government stimulus handouts, the increase in the first home owners grant and lower interest rates assisted in the resurgence of the residential property market in NSW.

The boost to the First Home Owners Grant proved significant in 2009 as it provided support in sales volumes in both houses and units, particularly in the sub \$500,000 price bracket. This increased demand subsequently increased the median house and unit values in this price range. The proportion of first home buyers entering the market has noticeably fallen since late 2009 when the boost to the grant ceased. The grants did however cause significant momentum in the residential market, especially amongst young investors.

The Sydney residential property market performed strongly in 2009. According to Residex, there were 45,832 house sales and 46,917 unit sales in Sydney throughout 2009. This represents an increase from 2008 of 21.9% for houses and 25.6% for units. These are the highest annual sales volume figures since 2003 when the market was peaking. Much of these sales are attributable to cashed-up first home buyers.

According to Residex, the December 2009 median house value for Sydney was \$632,000. This represented a growth of 12.8% from December 2008. By comparison, house values declined by 4.2% in the year to December 2008. Unit values experienced similar growth in the year to December 2009 with a 10.4% increase to reach a median of \$436,500. Similarly, this growth was the greatest increase since 2003.

Rental data from Housing NSW indicates that there has been rental growth in both houses and units in 2009. As at the December quarter 2009, a typical 1 bedroom unit achieved \$375/week – an annual increase of 4.2%. A typical 2 bedroom unit achieved \$400/week – this remained unchanged from December 2008. Similarly, both 2 and 3 bedroom houses recorded rental growth in the year to December 2009 – 7.9% increase (\$340/week) and 5.7% increase (\$370/week) respectively.

According to the Real Estate Institute of NSW (REINSW), the overall Sydney rental vacancy rate as at November 2009 was 1.6%. This was slightly higher than the June 2009 figure of 1.3%. It was the highest level in 2 years. However, a healthy vacancy rate is in the 3% to 4% range. Table 28 below summarises Sydney's residential vacancy rates. It can be seen that the most tightly held rental markets are in Sydney's outer ring suburbs (more than 25km from Sydney CBD). Sutherland Shire is located approximately 25km from the Sydney CBD.

**Table 28 - Sydney Residential Vacancy Rates, November 2009**

	Nov-09	Jun-09
Sydney	1.60%	1.30%
Inner Ring (0-10km from CBD)	1.50%	1.60%
Middle Ring (10km to 25km from CBD)	2.30%	1.40%
Outer Ring (>25km from CBD)	1.10%	0.90%

Source: REINSW 2009



## **Sutherland Shire Residential Market**

As stated earlier, the developed area of the Sutherland Shire is predominantly residential in character. The area is a popular living destination owing to its coastal settings, lifestyle and proximity to major transport networks. A significant proportion of the LGA is national park, which is another key attraction to residential living.

Table 29 below illustrates the breakdown of the residential markets of various suburbs within the Sutherland Shire. From the table it can be seen that, as a whole, the Shire predominantly consists of separate houses. Apartments only provide 22% of housing within the Shire.

**Table 29 - Sutherland Shire: Existing Residential Market Context**

	Houses		Units		Buying	Renting
<b>Kirrawee</b>	<b>2,697</b>	<b>78%</b>	<b>769</b>	<b>22%</b>	<b>73%</b>	<b>22%</b>
Sutherland (Suburb)	2,026	46%	2,399	54%	55%	39%
Gymea	2,007	71%	813	29%	65%	30%
Gymea Bay	2,385	100%	3	0%	89%	7%
Woronora	674	94%	41	6%	88%	9%
Miranda	3,500	65%	1,884	35%	60%	32%
Jannali	1,773	82%	379	18%	67%	27%
Kareela	834	100%	-	0%	92%	5%
Sylvania	3,111	83%	611	16%	71%	21%
Caringbah	6,443	77%	1,939	23%	70%	23%
Cronulla	2,279	28%	5,859	72%	49%	38%
<b>Sutherland Shire</b>	<b>59,158</b>	<b>78%</b>	<b>16,294</b>	<b>22%</b>	<b>73%</b>	<b>21%</b>
<b>Sydney Statistical Division</b>	<b>1,119,235</b>	<b>74%</b>	<b>390,680</b>	<b>26%</b>	<b>61%</b>	<b>30%</b>

Source: 2006 ABS Census Data

It can be seen that the proportion of separate houses compared to unit developments varies greatly between suburbs. For example, Kirrawee is in line with the Shire with 78% of its dwellings as separate houses, whereas neighbouring suburb Sutherland and Cronulla (located approximately 20 minutes away) have much higher proportions of unit developments.

Table 29 also indicates that residents of Sutherland Shire (and Kirrawee) predominantly own or are in the process of owning their property. Surrounding suburbs such as Sutherland, Miranda and Cronulla have a greater proportion of rental properties.

The Sutherland Shire residential property market performed well in 2009. The last 6 months of 2009 saw substantial gains in the lower value range of the property market (\$300,000 to \$600,000), largely driven by government grants and low interest rates. This trend was seen in many suburbs within Sydney as first home buyers and new investors entered the market.

Demand is increasing for all residential property in the Shire and supply is at a 5 year low. There has been little residential development in the Shire in the past 2 years.

Analysis of the development pipeline shows that there are a number of residential projects that have been given development approval; however, many of these have been deferred indefinitely or abandoned. Various townhouse-style developments have been given approval in the area. To date, none of these have



commenced construction. In relation to Kirrawee, the suburb of Sutherland has the greatest number of approved developments in the immediate area, many of which are high density apartment developments with 30 to 70 units.

**570 President Avenue** (see right) is a very successful new mixed use development nearing completion located about 1.5km from the Brick Pit. The development consists of 34 apartments with ground floor retail and first floor commercial space. The 2 and 3 bedroom apartments are approximately 85sqm to 95sqm internally with 25sqm balconies and have been selling off the plan for approximately \$400,000 to \$600,000. Rents range from \$480/week to \$620/week.



The development has been met with very high demand, with nearly all the apartments sold off the plan and the majority of retail and commercial space taken up. According to the selling agent, unit prices increased by around \$40,000 over the selling period. Buyers have come from within the Shire, Wollongong and Western Sydney.

Several local agents have indicated that there is significant unmet demand for affordable, high quality residential apartments in the Shire. Significant enquires for apartments and villas in the Shire were received from existing residents within the Shire as well as residents from Wollongong and Western Sydney wanting to relocate.

According to local selling agents, apartments generally only spend about a week on the market before purchased. A good example of this is 63 Flora Street in Kirrawee. According to the selling agent, this 10 year old 2 bedroom unit was sold for a very generous \$395,000 in early March 2010 after spending just 10 days on the market. Some 27 groups of potential purchasers came to the first open inspection. This demonstrates high demand for apartments in the immediate area.

Table 30 below shows the median sales prices for residential property (strata and non strata) for the 2232 postcode and Sutherland Shire, benchmarked against the Sydney Statistical Division. Note: 2232 postcode includes the suburbs of Kirrawee, Sutherland, Kareela, Woronora, Grays Point and Loftus.

**Table 30 - Median Sale Prices (September 2009)**

	2232 Postcode		Sutherland Shire		Sydney SD	
	Sept '09	Annual Growth	Sept '09	Annual Growth	Sept '09	Annual Growth
All Dwellings	\$424,000	7.3%	\$ 499,000	3.5%	\$ 443,000	5.5%
Strata	\$370,000	10.3%	\$ 405,000	14.6%	\$ 488,000	3.7%
Non Strata	\$570,000	5.5%	\$ 623,000	6.4%	\$ 412,000	7.4%

Source: Housing NSW - Rent and Sales Report Issue No.90 (February 2010)

It can be seen from the table that growth was recorded across all dwellings, particularly in the 2232 postcode. Strata properties recorded strong growth in the 2232 postcode and Sutherland Shire in the year to September

2009, with annual growth of 10.3% and 14.6% respectively. This can be compared to the Sydney SD which recorded a 3.7% growth in strata properties over the same period.

Table 31 further illustrates the median sales prices achieved in Kirrawee and its surrounding suburbs, benchmarked against the Sutherland Shire.

**Table 31 - Median Sales Prices\* (December 2009)**

12 Months to December 2009			
Suburb:	Houses	Units	Sales - Houses/Units
Kirrawee	\$ 540,000	\$ 326,000	133 / 78
Sutherland	\$ 480,000	\$ 356,000	117 / 371
GyMEA	\$ 543,000	\$ 400,000	139 / 138
GyMEA Bay	\$ 762,000	n/a	103 / 4
Woronora	\$ 635,000	n/a	33 / 0
Miranda	\$ 557,000	\$ 378,000	213 / 260
Jannali	\$ 517,000	\$ 310,000	95 / 54
Kareela	\$ 655,000	n/a	34 / 8
Sylvania	\$ 657,000	\$ 487,000	187 / 87
Caringbah	\$ 572,000	\$ 375,000	228 / 309
Cronulla	\$ 950,000	\$ 410,000	133 / 722
<b>Sutherland LGA</b>	<b>\$ 600,000</b>	<b>\$ 379,000</b>	<b>(1415 / 2031)</b>

\* Based on sales reported to Australian Property Monitors in the year to December 2009

Source: Australian Property Monitors 2009/2010

From the table it can be seen that the median sale prices achieved in the LGA vary greatly between suburbs. Suburbs with high amenity, such as coastal living, achieved greater sale values. This is apparent in Cronulla, Sylvania, Kareela and GyMEA Bay. In the year to December 2009, Kirrawee had a median house price of \$540,000 and median unit price of \$326,000 – this was below the median sales prices achieved for the Sutherland Shire.

The table also indicates the proportion of sales that were houses and units. In Kirrawee in the year to December 2009, unit sales contributed 37% to total sales. This is relatively high as there is limited supply of units in the suburb. Interestingly, the suburbs surrounding Kirrawee had higher proportions of unit sales – Sutherland (76%), GyMEA (50%) and Miranda (55%). This suggests a healthy demand for properties of this nature in the immediate area. Strong unit sales were also recorded in Caringbah (58%) and Cronulla (84%).

Table 32 below summarises median weekly residential rents in the 2232 postcode and Sutherland Shire, benchmarked against the Sydney SD:

**Table 32 - Median Weekly Rents (December 2009)**

Rents	2232 Postcode		Sutherland Shire		Sydney SD	
	Dec '09	Annual Growth	Dec '09	Annual Growth	Dec '09	Annual Growth
1 Bedroom Unit	n/a	n/a	\$270	3.8%	\$375	4.2%
2 Bedroom Unit	\$350	2.9%	\$370	5.7%	\$400	0.0%
2 Bedroom House	n/a	n/a	\$410	2.5%	\$340	7.9%
3 Bedroom House	\$540*	n/a	\$500	6.4%	\$370	5.7%

Source: Housing NSW - Rent and Sales Report Issue No.90 (February 2010)

It can be seen that there was rental growth in the Shire in 2009. As of December 2009, 1 bedroom units averaged \$270/week (up 3.8% annually) and 2 bedroom units averaged \$370/week (up 5.7% annually). At \$350/week, rents for 2 bedroom apartments in Kirrawee and its surrounding suburbs (2232) are slightly lower compared to the Shire. In 2009, the Shire recorded higher rental growth in 2 bedroom apartments compared to Sydney SD.

### **Outlook**

Rising interest rates and the expiry of the First Home Owner Grant at the end of December 2009 are likely to continue to slow activity for first home buyers in the Sutherland Shire. The medium-to-long-term outlook for property prices remains strong, as high population growth, rising incomes and a relative lack of new supply means there will simply be more demand for housing than supply.

Changing from renting to owning is a less attractive proposition in 2010 than it was during the majority of 2009. On the supply side, there simply aren't enough new properties being built for investment purposes to meet this increased demand. As such, rents are forecast to increase throughout 2010.

## **8.5 Key Findings**

### **Commercial Office Market**

- Suburban office market poor across the whole of Sydney – highest vacancies in 15 years;
- Tenants moving back into CBD locations or into office/business parks;
- The Shire office market has been slow, but not underperforming. Demand has been inconsistent;
- Limited supply of good quality office space over 100sqm;
- There is demand for office space between 100sqm and 300sqm. However, this demand is inconsistent and any future significant commercial office development in the area is somewhat risky;
- Dominated by owner occupiers; and
- Affordability is the key to any successful commercial office development in the area.

### **Industrial Market**

- The industrial market was been hit hard by the recent economic downturn;
- The Outer South Sydney market one of the only industrial markets to experience falling rents;
- Historically, land values have been generally stable, mainly due to constrained supply and competing uses;
- Kirrawee has historically performed well and it is tightly held by land owners and tenants;
- Kirrawee is split into two industrial precincts, with clear user preference for industrial space north of the Brick Pit site and the Highway;
- Supply pipeline is weak. However, there is significant existing stock within the Shire; and
- Kurnell has been earmarked as future provider of industrial lands and is a cheaper alternative.

### **Retail Market**

- The Sydney retail market hit hard by the recent economic downturn, characterised by limited investment activity and declining asset values;
- Purchasers are re-entering the market in 2010 and 2011;
- Small shopping centres have made up most of the sales in the last 12-18 months;
- There are low retail vacancies across the Shire – 0% in some locations;
- Bulky goods market has slowed significantly;
- Southgate Shopping Centre is thriving – high turnover, high rents and no vacancies;
- Other shopping centres in the Shire such as Caringbah Shopping Village and Menai Marketplace are also reporting high annual turnovers; and
- There is somewhat a lack of village atmosphere in Kirrawee.

### **Residential**

- The residential market in the Shire is very strong – increasing median house and unit prices;
- There is a significant shortage of higher density developments to meet demand;
- The Shire has low residential vacancies; and
- Real estate agents have received significant enquiries for residential properties, particularly high density, from within the Shire, Wollongong and Western Sydney.

## 9. WHAT INFLUENCES CENTRE GROWTH?

In previous Chapters we have identified the level of demand for additional retail, commercial, industrial and residential floorspace within the Shire given that the NSW Government now targets 80% of all residential development to occur in existing or new Centres. This Chapter identifies a number of key variables that influence the potential of the Shire Centres to grow and accommodate this demand. It is important to note that the assessment in this report is based on economic grounds and included limited assessment of environmental and amenity constraints

### 9.1 Potential Locations to Accommodate Growth

The South Subregion Draft Subregional Strategy and Hill PDA's own analysis shows that whilst the Study Area is a popular place to live, a large proportion of residents leave the area to work. A key challenge is to provide adequate land and developable sites within centres, to cater to the demand for housing as well as providing jobs that match the skill sets of the local population.

Since the preparation of the draft South Subregional Strategy, challenges for councils have altered with pressures to not only intensify uses but to zone additional land in order to facilitate viable development opportunities for retailers and new businesses (Draft Centres Policy 2009).

The draft Centre's policy requires all councils to actively identify suitable sites and opportunities for development in order to enhance competition and consumer access to goods and services.

Whilst centres are the preferred locations for growth, the draft Centres Policy recognises that demand for retail and commercial uses may be so substantial that it cannot be entirely accommodated in these locations. The policy therefore advocates a sequential approach for the selection of suitable locations outside of existing centres as follows:

- Land adjacent to existing centres;
- Employment lands, in particular those defined as Category 3 within the draft subregional strategy;
- Land adjacent to stand alone centres and busy roads (such as Southgate); and
- Residential areas.

This Chapter provides a comprehensive assessment of the suitability of existing Centres with the Shire to intensify or grow to accommodate demand prior to reviewing employment lands and residential areas.

Hill PDA's analysis has identified some viable opportunities for the expansion of centres into existing residential zones immediately adjacent to existing centres such as Menai. The assessment only looks at and in light of the 80% policy residential land immediately adjacent to existing centres because as with employment lands, it is difficult to meet sustainability objectives in out of centre locations for more intensive uses.

## 9.2 Assessing the Suitability of Centres to Grow

The draft Centres policy provides criteria against which the suitability of centres to grow and expand should be assessed. The criteria relate to the quality of the centre's pedestrian and road access, public transport and infrastructure capacity, the availability and skill set of the local labour force, the amenity of centres and their urban design opportunities as well as their potential to provide a range of housing tenures and price points.

In line with criteria set out within the draft Centres Policy, this Study considers three overarching economic factors that must be addressed to enable a site to be developed and therefore a centre to expand. These factors are summarised below.

**Figure 5 - Summary of Assessment Criteria**

<b>Geographic Desirability</b>	Relates to the attractiveness or suitability of the land for the intended use. This relates to its location including exposure to passing traffic, cluster effects with surrounding uses, its catchment area and size, accessibility by employee and clients. These factors will vary by type of use.
<b>Land and Site Availability</b>	Refers to the physical capacity of land to be available for site amalgamation and redevelopment. Availability also refers to its zoning (current and intended) and any encumbrances including contamination, heritage, easements, flooding and existing leases over The Site or its improvements. Land and site availability also relates to the size of The Site required to be operationally effective.
<b>Development Feasibility</b>	Relates to whether a site, given its availability and desirability, is economically viable for redevelopment. Feasibility takes into account the cost of the land's acquisition, the cost of design and construction and whether the end sale value or property income provides adequate reward for the risk of development.

## 9.3 Geographic Desirability

The geographic location of a centre is imperative to its success. This is because the locations of centres directly influence the nature of the centre's trade area, the ability for workers and customers to access the centre as well as the effective operation of the centre. The following section explains the relationship between these factors and how they influence the desirability of centre locations.

Importantly although these factors impact market demand this is dealt with elsewhere in this Study.

### **Trade Area**

As described in the planning policy section, not all centres are alike. Centres have different roles in the centres hierarchy, providing different service and retail offerings and therefore have different geographic or trade area requirements.

For example, smaller centres such as villages (Kirrawee and Gymea), require locations that are convenient to the local trade area they serve and therefore are more localised and in a greater number of locations.

These centres generally provide supermarkets, specialty stores and small non-retail / commercial services. The catchment area of a supermarket is ideally within a 3km to 5km radius of its population base of 10,000 residents. Supply is therefore better spread geographically in smaller centres to match those catchment areas.

Larger centres such as the towns of Caringbah, Engadine and Miranda require a location that is central to the broad trade area they serve. This is because these centres generally provide more than 1 supermarket and often larger department stores (such as Myers or David Jones) that require a broader catchment area of 20km or more and a population base of 150,000+ people. The fragmentation of department stores is not desirable and their central location within a broad trade area (such as Miranda) meets their demand profile. To cater to this large trade base, these centres need to be serviced by highly patronised public transport routes and main roads.

Likewise business parks tend to be more regionally focused, while small office space for professional uses and local amenity are better suited to the smaller centres discussed above. Bulky-goods retailing (Taren Point) favours clustering along highway frontage locations with visual exposure being a high priority. Smaller specialty retailing and professional services feed off anchor tenants such as supermarkets, department stores and commercial centres where passing foot traffic is the key determinant.

As discussed above, the desirability of locations for retailers and centres varies according to the use you are considering. To this extent, Miranda (including the Westfield mall) is in a strong location to capture trade across the entire Shire. Although it enjoys relatively low competition from other major centres, it also enjoys a strong location on the intersection of the two main roads in the middle of its trade area.

Whilst Cronulla Town Centre is well situated to serve its trade area, compared to Miranda it is not likely to be a sustainable location to serve the wider LGA. This is largely due to competition with Miranda and Southgate, but also due to its position on a peninsular at the most easterly edge of the Shire. This location means that the centre is located further away from the entry points into the trade area.



The geographic layout of the Region is an atypical yet important determinant of centre location. The concentration of population in the northern and eastern sections of the Shire results in greater demand for retail and business services in these areas. Whilst not geographically central, this location allows for the capture of trade at the entry and exit points of the trade area.

### **Access, Traffic and Transport**

The ease and efficiency of access, to and within, a centre is another important factor in the geographic desirability of a centre's location. This point has been reinforced by the results from Hill PDA's Shopper Survey. As discussed above, large centres such as Miranda and Caringbah require excellent access to major highways and a number of access / egress points to the surrounding area in order to cater to the significant number of shopper movements.

In the interests of urban sustainability, major centres should also be located on well serviced transport routes in order to minimise the number of trips undertaken by private vehicles and to allow for convenience shopping whilst travelling to / from destinations. Large parts of the Shire are well served by public transport with a number of railway lines with stations in most centres. Of the town centres within the Shire, Menai is a notable exception in this regard.

Access to smaller centres is also a key factor as these centres rely on quick and efficient shopping trips for convenience. Available and visually prominent car parking spaces, ideally out the front of retail stores, is also a desirable factor in the success of town, village and neighbourhood centres.

Smaller centres should also be centrally located in a trade area with limited barriers to pedestrian access to encourage walking to and within the centre. Walking as a mode of transport can be encouraged in smaller centres as the nature of shopping generally relates to smaller goods and therefore can be carried with greater ease.

Efficient access to centres of all sizes is also important for their servicing. Centres require regular deliveries of goods and the removal of rubbish. This places a burden on the surrounding road network. It also requires additional land to the retail store footprint and customer car parking in order to undertake these activities away from main road thoroughfares.

### **Available Local Workforce**

The availability and skills of the local workforce is another key factor in a centre's ability to grow. As discussed in Chapter 4 of this Study, as of 2006 the Shire had a resident workforce over 107,000 people. Despite this, the Shire only generated half of this number of jobs, with the majority being generated in retail trade followed by health care and social assistance. Conversely the majority of the workforce travelling out of the Shire, travelled to the City of Sydney and office based employment.

Over the next 30 years, should the Shire's dwelling targets be achieved, the population growth could increase the workforce by an additional 14,000 people. It is also forecast that over 16,000 additional jobs will be generated within the Shire, with the largest actual growth forecast to occur within the retail trade followed by education and training, accommodation and food services, health care and social assistance, administration and safety.