

FINAL REPORT

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PROPOSED EXPANSION
of
MARRICKVILLE METRO
PEER REVIEW

Prepared For:
DEPARTMENT of PLANNING
and INFRASTRUCTURE

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EXECUTIVE SUMMARY

Introduction Section 1

This Report has been prepared for the Department of Planning and Infrastructure (DP&I) by Leyshon Consulting Pty Ltd. The Report provides advice in relation to a proposed expansion of the Marrickville Metro Shopping Centre. An application to expand the centre was made in 2010 under the then Part 3A provisions of the Environmental Planning and Assessment Act 1979.

Under the Preferred Project Report the proposed additional floor area for the centre is 15,755 sq.m. (retail) incorporating the following elements:

▶	supermarket	...	4,300 sq.m.
▶	discount department store	...	5,000 sq.m.
▶	mini-majors	...	1,991 sq.m.
▶	retail specialties	...	4,464 sq.m..

The application made under Part 3A of the Act was accompanied by economic reports prepared by consultants Pitney Bowes Business Insight (PBBI) for the applicant (AMP) namely:

- ▶ *Marrickville Metro Sydney – Economic Impact Assessment* dated May 2010; and
- ▶ *Marrickville Metro Sydney – Economic Impact Assessment* dated November 2010.

This Report reviews the two PBBI documents together with a report prepared for the Marrickville Chamber of Commerce and Marrickville Council by Hill PDA.

Strategic Planning Context Section 2

The **Metropolitan Plan for Sydney 2036** is generally relevant to the application.

The nearest major or specialist centres defined by the Metropolitan Plan are the CBD, Burwood and the proposed Green Square Major Centre. There is no suggestion by either the applicant or submitters that the proposed development constitutes a threat to these centres.

Under the **Draft South Subregional Strategy** Marrickville Metro is identified as a “Village Centre”. The Marrickville Road and Stanmore strip centres to its west are identified as “Town Centres”—ostensibly a higher strategic planning designation.

Some submitters have claimed the proposal is contrary to the intentions of the Draft South Subregional Strategy. We consider it is consistent with important aspects of the Draft South Subregional Strategy—particularly its potential to concentrate retail and commercial activity in an established centre near public transport. We also consider the Draft South Subregional Strategy at least contemplates the potential for some further retail development on or adjacent to the Marrickville Metro site.

EXECUTIVE SUMMARY

Strategic Planning Context Cont'd

In our opinion the subject proposal is generally in accord with the six key planning principles enunciated in the **Draft Centres Policy**.

The Draft Centres Policy expresses a strong preference for future development to occur in centre locations or on sites immediately adjacent to existing centres. We consider the Marrickville Metro proposal meets this test.

The provisions of **Draft State Environmental Planning Policy (Competition) 2010** are of limited direct relevance to the proposal.

Economic Impact Assessment Section 3

Two economic impact assessments were submitted on behalf of the applicant by PBBI.

PBBI Assumptions

PBBI defined a very extensive trade area for an expanded Marrickville Metro. We question the extensive nature of the Tertiary Trade Area (TTA) PBBI identify as it includes areas well to the east and south-east of Marrickville.

PBBI project growth in annual available expenditure in the Main Trade Area (MTA; primary plus secondary) as follows:

▶	2009-11	...	\$49.4 million
▶	2011-16	...	\$127.1 million
▶	Total Growth 2009-16	...	\$176.5 million.

PBBI estimate the annual sales of Marrickville Metro will increase from \$204.7 million in 2009 to \$294.4 million in 2013—growth of around \$89.7 million. Of this they estimate about \$65.1 million will come from the MTA. The balance (\$24.6 million) will come from the TTA or from beyond the trade area altogether.

According to PBBI, an expanded Marrickville Metro will capture 37% of the **increase** in annual available retail spending projected for the MTA between 2009-16.

Impact Analysis

The PBBI sales analysis (and hence the impact analysis) is predicated on the expanded centre achieving a very significant increase in the sales it draws from the Secondary Trade Area (STA) and the TTA. A high level of “clawback” of escape expenditure is also assumed.

The actual increase in centre sales projected in 2013 (pre- compared to post-expansion) is +\$79.5 million. Of this PBBI estimate \$41.4 million will come from centres in and adjacent to the Marrickville trade area. This implies that some \$38.1 million must be “clawed back” from spending currently directed to centres outside the trade area.

EXECUTIVE SUMMARY

Economic Impact Assessment Cont'd

Market Research

Market research was conducted for the applicant in 2008. The research found that while Marrickville Metro was the main destination for food and grocery shopping for 46% of respondents, significant escape spending in the categories of clothing, homewares and gifts flowed to the Sydney CBD and to Broadway.

The market research also found considerable cross-shopping occurred between Marrickville Metro and nearby strip centres. A significant segment of residents also preferred to shop at strip centres rather than enclosed centres such as Marrickville Metro.

In summary the 2008 market research cited by the PBBI indicates that for the trade area:

- ▶ there is considerable escape shopping activity
- ▶ Marrickville Metro has a strong position in food shopping but its position in clothing, footwear and household goods is relatively weak
- ▶ there is only a medium level of satisfaction with the retail services currently on offer at Marrickville Metro
- ▶ a substantial portion of the community is committed to shopping at strip centres.

Impact on Centres

Substantial differences exist between PBBI and Hill PDA in terms of each consultant's estimate of the potential impact of the proposed expansion of Marrickville Metro.

Hill PDA estimated impacts in 2013 of up to -14.3% (-\$21.3 million) on the combined Marrickville and Illawarra Road precincts; -11.5% (-\$4.5 million) on the Enmore Road strip; and -8.4% (-\$15.3 million) on King Street, Newtown.

The Hill PDA estimates of impact tend to be overstated by around 12.0%—because their analysis is based on an increase in the expanded centre's sales in 2013 of +\$90.0 million compared with the PBBI projection of +\$79.5 million.

Given the inherent characteristics of retailing in strip centres within Marrickville LGA and surrounding areas, as well as the results of the market research, we consider the Hill PDA estimates of the impact on strip centres are overly pessimistic. The surrounding strip centres—while they contain small supermarkets, fresh food vendors, some clothing retailers and the like—provide a generally different “offering” to that of an expanded Marrickville Metro.

EXECUTIVE SUMMARY

Economic Impact Assessment Cont'd

Impact on Centres Cont'd

An expanded Marrickville Metro will have a more significant impact on other comparable shopping centres such as Broadway, Norton Plaza, Leichhardt Marketplace and the Sydney CBD rather than the local strip centres. This is because these centres have a more directly comparable tenancy mix.

We consider the impacts on the relevant retail strips in percentage terms—estimated by PBBI to be between -1.2% to -4.1% (-2.4% on average)—are more likely to be in the range of -8.0% to -10.0% for Illawarra and Marrickville Roads and probably in the order of -4.0% to -6.0% for King Street and Enmore Road.

Significance of Impact Section 4

The larger centres surrounding the trade area—Broadway, Leichhardt Marketplace and Norton Plaza—should be able to absorb the likely impacts of the proposed expansion without adverse consequences.

The impacts on strip centres within Marrickville LGA, and those in surrounding LGAs, are much more difficult to evaluate accurately.

Representatives of the Marrickville Chamber of Commerce argue there has been no growth in the rents being achieved by small shops in Marrickville/Illawarra Roads since Marrickville Metro opened in 1987.

The adverse effects of the opening of Marrickville Metro in 1987 were heightened by a number of factors specific to that time including:

- ▶ the natural attractiveness of a new centre type offering retail outlets not present in the area
- ▶ the onset of recession in Australia in 1989 which lasted until mid-to-late 1992
- ▶ the relocation of key tenants from Marrickville Road to Marrickville Metro.

The impact on local strip retailing also has been affected by population decline and significant demographic change in recent decades which has seen an ageing population and a falling average household size. Neither trend is positive for retailing.

The confluence of factors noted above is unlikely to be repeated. Given the forecast upward trend in population growth in the Marrickville region, we consider the impact of the proposed expansion will be much less than occurred following the initial centre opening in 1987.

EXECUTIVE SUMMARY

Significance of Impact Cont'd

In summary, it is very difficult—if not impossible—to be precise about the impact of an expanded Marrickville Metro except to say that clearly any expansion will have some further negative effect on nearby strip centres.

That said, we do not consider the impact will be as severe as that claimed by Hill PDA nor as that feared by the Marrickville Chamber of Commerce. On balance the impact is unlikely to be significant enough to lead to an unacceptable loss of services in existing strip centres.

Conclusion Section 5

The impacts of the proposed expansion of Marrickville Metro are unlikely to be as severe as has been projected by Hill PDA nor that feared by the Marrickville Chamber of Commerce.

Nonetheless, it is inevitable any change in one of the existing enclosed shopping centres in the surrounding region will have some negative effect on nearby strip shopping centres.

The proposed expansion of Marrickville Metro is nonetheless generally appropriate and warranted having regard to projected future population and spending growth in the Marrickville trade area.

The increased demand for retail floorspace underpinned by a growing population could not be met by the existing strip shopping centres. This is especially so as change in these centres is usually resisted strongly by nearby residents.

We consider it appropriate that any approval of the proposed development stipulate a time lapse between the first stage (which we understand to be the development of the industrial site) and the redevelopment of the existing centre. For instance, if a period of up to three years was provided for between the completion of Stage 1 and the commencement of trading of Stage 2 this would assist in mitigating detrimental impacts on surrounding strips and enable them better to adjust to any changes in the competitive environment.



1

INTRODUCTION

1.1 Background

This Report has been prepared for the Department of Planning and Infrastructure (DP&I) by Leyshon Consulting Pty Ltd. The Report provides advice in relation to a proposed expansion of the Marrickville Metro Shopping Centre. An application to expand the centre was made in 2010 under the then Part 3A provisions of the Environmental Planning and Assessment Act 1979.

Marrickville Metro is a subregional-scale shopping centre containing 20,872 sq.m. of retail floorspace (gross leasable area [GLA] retail). The centre's major tenants are:

▶ Kmart	...	7,311 sq.m.
▶ Woolworths supermarket	...	4,910 sq.m.
▶ ALDI supermarket	...	1,207 sq.m..

In total the centre contains 88 specialty shops accommodated within 7,444 sq.m.. The centre was developed in 1987 and refurbished and extended in 1994 and 1998. It is owned by AMP Capital Investors.

According to the Property Council of Australia's *New South Wales/ACT Shopping Centre Directory 2010*, Marrickville Metro attracts in the order of 5.4 million shoppers annually. The centre had a moving annual turnover in the year to October 2010 of \$208.5 million (\$2010).

The proposed expansion involves the centre spreading onto adjoining land to the south of Smidmore Street. The Smidmore Street site has an Industrial zoning at present.

The current application, which is discussed in more detail below, has attracted submissions from not only Marrickville Council (Council) but also the Marrickville Chamber of Commerce and Westfield Limited.

1.2 Study Brief

In accordance with the agreed brief, we have undertaken the following tasks in preparing this Report:

- ▶ reviewed the assumptions made in the retail assessment report prepared by consultants Pitney Bowes Business Insight (PBBi) with respect to the trade area, socio-economic profile of the trade area population, population growth forecasts and the projected retail turnover levels of the proposed development;
- ▶ reviewed the appropriate area required to sustain the retail floorspace proposed for the expanded centre;
- ▶ reviewed the proposal as it relates to the provisions of the following strategic planning documents:
 - Metropolitan Plan for Sydney 2036
 - Draft South Subregional Strategy
 - Draft Centres Policy
 - Draft State Environmental Planning Policy (SEPP) Competition 2010
- ▶ reviewed submissions prepared by consultants Hill PDA on behalf of Marrickville Council and the Marrickville Chamber of Commerce;

- ▶ assessed the likely impact of the proposed development on nearby centres in the Marrickville area including Marrickville Road, King Street, Petersham, Erskineville, Enmore and Dulwich Hill; and
- ▶ prepared advice as to whether the assessed impacts of the proposal are significant and whether there are actions which could be taken to mitigate these impacts.

1.3 The Proposal

The initial application made under Part 3A of the Environmental Planning and Assessment Act proposed the following additional retail floorspace at Marrickville Metro:

▶ full-line supermarket	...	4,300 sq.m.
▶ discount department store	...	7,448 sq.m.
▶ mini-majors	...	2,141 sq.m.
▶ specialty shops	...	5,964 sq.m..

In addition some 1,910 sq.m. of non-retail floorspace was also proposed.

In December 2010 a Preferred Project Report (PPR) was prepared on behalf of AMP Capital Investors by consultants Urbis.

The revised proposal for the centre's expansion took account of Marrickville Council's decision not to grant owner's consent for the inclusion of Smidmore Street in the redevelopment application as well as design changes proposed by the applicant. As a consequence the PPR is based on the extension of the retail floor area at the first level above the existing shopping centre and the redevelopment of industrial

land to the south of Smidmore Street to create a two-level freestanding retail addition to the shopping centre with car parking above.

Under the PPR Smidmore Street between Edinburgh Road and Murray Street would be retained as a public road with what is described as “street level retail activation”. Consequently, the proposed additional floor area in the development was reduced to some 15,755 sq.m. (retail) and incorporates the following elements:

▶	supermarket	...	4,300 sq.m.
▶	discount department store	...	5,000 sq.m.
▶	mini-majors	...	1,991 sq.m.
▶	retail specialties	...	4,464 sq.m..

The application made under Part 3A of the Act was accompanied by economic reports prepared by PBBi for the applicant (AMP) namely:

- ▶ *Marrickville Metro Sydney – Economic Impact Assessment* dated May 2010; and
- ▶ *Marrickville Metro Sydney – Economic Impact Assessment* dated November 2010.

1.4 Submissions

The Department received a number of submissions following advertising of the application. These relate to the economic need and economic impact of the retail component of the proposed development.

In preparing this Report we have been provided with submissions prepared by the following:

- ▶ Design Collaborative Pty Limited letter – on behalf of Marrickville Chamber of Commerce dated September 2010 – Hill PDA report Marrickville Metro Economic Impact Statement August 2010 (attached)
- ▶ Marrickville Council – including a report prepared by Hill PDA (*Marrickville Metro Economic Impact Assessment* dated March 2010)
- ▶ Ingham Planning letter – on behalf of Terrace Tower Group (owners of Westfield Eastgardens).

We have also been provided with a document prepared by PBBi and dated May 2011 which comments on the reports prepared by Hill PDA.

There are a number of common themes raised by submitters namely:

- ▶ the proposal's alleged inconsistency with the provisions of the *Draft South Subregional Strategy*;
- ▶ the proposal's inconsistency with the provisions of the *Draft Centres Policy*; and
- ▶ the likely adverse impact of the current proposal on strip retail centres in the region surrounding Marrickville Metro.

1.5 Consultation

In preparing this Report we met with Mr Tim Blythe of Urbis, Mr Ben Matthews of AMP Capital Investors and Mr Tony Dimasi of PBBi.

The main issues discussed were:

- ▶ the history of attempts to expand Marrickville Metro and the reasons for the Part 3A application
- ▶ the demand for additional retail floorspace in the Marrickville area
- ▶ the delineation of the trade area and its basis in market research
- ▶ the method by which market shares were calculated by PBBi in the EIAs referred to above
- ▶ the alleged errors in the Hill PDA analysis undertaken for the Marrickville Chamber of Commerce and Marrickville Council.

Discussions were also held with Messrs Ken Hawkes and Marcus Rowan of Marrickville Council who outlined Council's position which is one of opposition to the proposal. Principally Council is of the view that the centre should not be expanded because any expansion will have an unacceptably adverse impact on strip centres in Marrickville Local Government Area (LGA).

A meeting was also held on 24th September 2011 with representatives of the Marrickville Chamber of Commerce namely Councillor Vic

Makris, Mr Joe Khouri and Mr Con Harabambis. The Chamber representatives stated:

- ▶ when first developed in 1987, Marrickville Metro had a significant negative impact on the strip retail centre in Marrickville Road from which that centre has never fully recovered
- ▶ the transfer of key tenants from Marrickville Road to Marrickville Metro following its opening
- ▶ retail rentals at current prices for shops in the Marrickville Road/Illawarra Road centre are now below those pertaining in 1987
- ▶ the scale of the proposed expansion is excessive
- ▶ the proposed expansion will have a severe negative impact on Marrickville/Illawarra Road resulting in increased vacancy levels
- ▶ the Chamber would be more inclined to support an expansion of the centre based on additional bulky goods retailing or office space at Marrickville Metro.

Leyshon Consulting was also provided with a report prepared for the Marrickville Chamber of Commerce by Property Logic.Com. That report focusses on rental levels for retail premises on Marrickville Road since 1986 and compares them to a sample of average rents in regional and subregional shopping centres between 1986 and 2011. A copy of this document is provided at APPENDIX A to this Report.

2

STRATEGIC PLANNING CONTEXT

2.1 Introduction

We have been asked to review the proposal as it relates to the following strategic planning documents:

- ▶ Metropolitan Plan for Sydney 2036
- ▶ Draft South Subregional Strategy
- ▶ Draft Centres Policy
- ▶ Draft SEPP (Competition) 2010.

The relevant issues raised by the application in terms of the provisions of these documents are discussed below.

2.2 Metropolitan Plan 2036

The Metropolitan Plan for Sydney 2036 is generally relevant to the application.

Objective B – 2 in the Metropolitan Plan as it relates to “Centres” aims to strengthen major and specialist centres to support sustainable growth. In this regard Marrickville Metro is not identified in the Metropolitan Plan as either a “major centre” or a “specialist centre”.

The nearest such centres are the CBD, Burwood and the proposed Green Square Major Centre. There is no suggestion by either the

applicant or submitters that the proposed development constitutes a threat to these centres.

The Metropolitan Plan outlines some general principles with respect to planning for centres including the following:

- ▶ concentrating activity in accessible centres
- ▶ managing “out-of-centre development” to maximise the economic and social advantages of cluster activity
- ▶ making provision for the growth and urban renewal of centres; and
- ▶ planning for new centres to emerge in appropriate locations.

Action B 1.1 – Plan for Centres to Grow and Change Over Time is relevant to this application in that the Metropolitan Plan provides that during the preparation of subregional strategies and local environmental plans (LEPs), the Department and councils will identify centres that will grow and change over time to provide additional housing, employment and services.

Action B 1.2 identifies that subregional strategies should contain appropriate mechanisms to provide sufficient capacity for commercial development in centres taking into account identified demand. In this regard, the Metropolitan Plan states:

“By providing adequate capacity for this development in or adjacent to the existing commercial part of existing centres—or in identified emerging centres—more

sustainable growth can be achieved, avoiding pressure for out-of-centre development.”

2.3 Draft South Subregional Strategy

Under the draft South Subregional Strategy Marrickville Metro is identified as a “Village Centre”, while the Marrickville Road and Stanmore strip centres to its west are identified as “Town Centres”—ostensibly a higher strategic planning designation.

On face value these classifications appear anomalous as Marrickville Metro—although not located on the public transport network—nevertheless is a much larger and much more significant retail entity than either the Marrickville Road or Stanmore strip centres. The Marrickville Road and Stanmore centres, while they contain a range of activities, nonetheless are small-to-medium-scale strip shopping centres with neither rivalling the regional influence of Marrickville Metro.

The draft South Subregional Strategy observes that the future role of Marrickville Metro and certain other centres “...may change over the next 25 years”. The draft Strategy also identifies that while Marrickville Metro is classified as a “Village” centre, there may be potential for retail/commercial floorspace increases in addition to the provision of higher density housing within the locality such that it could achieve “Town Centre Status” in the future (Policy B1, 1.1 refers).

Policy B4 in the draft Strategy stipulates that retail activity should be concentrated near public transport in Centre, Business Development and Enterprise Corridor zones. Specifically, Policy SO B4.1.1 requires

councils to identify sufficient areas to accommodate retail activity in Commercial Core and Mixed Use zones around centres.

In this regard, the existing Marrickville Metro site is already designated as a Business General zone under Marrickville LEP 2001. The subject proposal involves the extension of the centre on to industrially zoned land to the east of Smidmore Road immediately adjacent to the existing Marrickville Metro centre.

While submitters have claimed the proposal is contrary to the intentions of the Draft Subregional Strategy, we consider it is consistent with important aspects of the Draft Subregional Strategy—particularly its potential to concentrate retail and commercial activity in an established centre near public transport. Furthermore, we consider the Draft Subregional Strategy at least contemplates the potential for some further level of retail development on or adjacent to the site.

In relation to this issue we note that Marrickville Council has requested the Draft South Subregional Strategy be amended to classify Marrickville Metro as a “standalone shopping centre” and that references to Marrickville Metro and the surrounding area as a “Village”, and the potential for the centre to be upgraded to a future “Town Centre”, be omitted when the South Subregional Strategy is finalised.

2.4 Draft Centres Policy

The Draft Centres Policy published in April 2009 has not been finalised. We note that one of the submitters (Ingham Planning) argues the proposal has not been properly assessed in terms of the Draft Centres Policy.

The aim of the Draft Centres Policy is stated to be the creation of a network of “vital and vibrant centres” catering for the needs of business and where members of the public will want to “live, work and shop”. The Policy is based on six key planning principles. These are set out in TABLE 2.1.

TABLE 2.1
REVIEW of PROPOSAL in CONTEXT of DRAFT CENTRES POLICY
PLANNING PRINCIPLES

Principles	Comments on Proposal
1. Retail and Commercial Activity should be located in centres	Proposed development in centre and immediately adjacent
2. Planning system should enable centres to grow and new centres form	If need established proposal is consistent
3. Market best placed to determine need for retail/commercial development. Planning system should regulate location	Agreed there is general market need in Marrickville LGA but Council policies do not support scale of retailing proposed in this location
4. Planning system should ensure adequate supply of available floorspace and promote competition	Many other centres constrained in terms of accommodating major retail development
5. Planning system should support a wide range of retail and commercial premises and should contribute to ensuring a competitive market	Development would widen the range of retail facilities in Marrickville and increase competition
6. Retail and Commercial development should be well designed	Cannot comment - this is an urban design issue

Sources: Draft Centres Policy 2009 and Leyshon Consulting 2011.

In our opinion the subject proposal is generally in accord with the six key planning principles although we note that an intensification of retail activity is not supported by Council at this location.

In summary, the Draft Centres Policy encourages additional retail floorspace to be provided in existing centres. In our opinion the Draft Centres Policy expresses a strong preference for future development to

occur in centre locations or on sites immediately adjacent to existing centres. We consider the Marrickville Metro proposal meets this test.

2.5 Draft State Environmental Planning Policy (Competition) 2010

The aims of Draft SEPP (Competition) 2010 are to promote economic growth and competition and to remove the anti-competitive barriers of environmental planning and assessment in New South Wales.

Draft SEPP 2010 sets out three important principles in relation to competition namely that:

- ▶ the commercial viability of a proposed development is not a relevant planning matter
- ▶ the likely impact of proposed commercial development on the commercial viability of other commercial development is not a relevant consideration; and
- ▶ such impact might be taken into consideration if it is likely that there will be an overall adverse impact on the adequacy of existing facilities available to a local community.

Draft SEPP 2010 also prohibits restrictions being placed on the number and particular types of retail premises and the proximity of particular types of retail premises.

In our opinion the provisions of Draft SEPP 2010 are of limited direct relevance in this instance. The Draft SEPP provides that the impact of

the proposed facilities on the Marrickville Metro site on other competing retail facilities (for example, supermarkets in the Marrickville Road or King Street centres) is not a relevant matter per se. It would only become relevant if the resultant competition led to an adverse impact on the range and adequacy of such services available to the public in these, or other, centres.

This issue is discussed in more detail in Section 4 of this Report.

As a general point, it could be argued that the proposal will increase competition and choice in the Marrickville area (particularly in the supermarket sector) and is thus generally consistent with the general aims of the Draft SEPP 2010.

3

ECONOMIC IMPACT ASSESSMENT

3.1 Introduction

As previously noted two economic impact assessments were submitted on behalf of the applicant by Pitney Bowes Business Insight.

Our comments on the methodology adopted by PBBI relate to their second report dated November 2010 (hereafter referred to as PBBI Report#2) which accompanied the Preferred Project Report.

3.2 PBBI Assumptions

3.2.1 Trade Area

PBBI have defined a very extensive trade area for an expanded Marrickville Metro. This trade area is depicted in Map 3.1 on page 16 of PBBI Report#2. In particular, we question the extensive nature of the Tertiary Trade Area (TTA) identified in Map 3.1.

Much of the focus of the analysis contained in the PBBI Report#2 is on what is defined as the “Main Trade Area (MTA)” – that is, the combined primary and secondary trade areas. The existence of such a large TTA is, however, of some significance in this case.

The TTA North includes the suburbs of Leichhardt, Annandale and Glebe to the north of Parramatta Road. The TTA East includes the suburbs of Redfern and Waterloo.

The TTA South East includes most of Green Square and the Mascot/Eastlakes area while the TTA South West includes the suburbs of Earlwood, Clemton Park and part of Canterbury.

While it is reasonable to assume that the borders of the TTA defined by PBBI were “informed” by their access to market research conducted by AMP, we nonetheless consider the TTA appears too extensive—particularly the TTA East and South East. In this regard, we note that the addition of significant retail centres at Green Square and Victoria Park over the coming years will diminish the potential of Marrickville Metro to attract trade from these two areas in the future.

Similarly, we doubt the particular relevance of the TTA North given that Parramatta Road constitutes such a significant boundary to shopper movement in the Marrickville area. Further, residents of this area have access to discount department store (DDS) facilities at both Leichhardt Marketplace and the highly successful Broadway Centre, as well as full-line supermarkets in Leichhardt (2) and at Broadway.

The significance to their overall analysis of the expansive TTA defined by PBBI can be seen from their Table 3.1 where they estimate the following resident populations for various parts of the trade area in 2011:

▶	MTA	...	98,895 persons
▶	TTA	...	127,675 persons
▶	Total Trade Area	...	226,570 persons.

Obviously, the TTA containing 127,675 residents, is highly significant in terms of total population numbers and hence available retail spending.

3.2.2 Population Growth

The estimated growth in the trade area population is canvassed in Section 3.2 of the PBBI Report#2. The MTA population is forecast to grow at about 0.7% per annum between 2011-16, by 1.0% in the TTA and 0.9% overall.

We have no reason to disagree with these assumed rates of annual average population growth. In this regard we note that submissions prepared by Hill PDA on behalf of Council and the Marrickville Chamber of Commerce accept that these are reasonable population growth assumptions.

3.2.3 Available Retail Spending

Estimates of the likely growth in available retail spending in the trade area are analysed in Section 3.4.2 of the PBBI Report#2.

It is worth noting that the projected growth in annual available expenditure in the MTA (primary plus secondary) is as follows:

►	2009-11	...	\$49.4 million
►	2011-16	...	\$127.1 million
►	Total Growth 2009-16	...	\$176.5 million.

This projected growth is significant in the context of the projected sales of an expanded Marrickville Metro. PBBI estimate that the annual sales of the centre will increase from \$204.7 million in 2009 to \$294.4 million in 2013—growth of around \$89.7 million.

Further, PBBI estimate that of this increase, about \$65.1 million will come from the MTA and the balance (\$24.6 million) from the TTA or from beyond the trade area altogether.

That is, while an expanded Marrickville Metro might capture \$65.1 million from the increase in the pool of available spending in the MTA, a further to \$111.4 million of additional spending will be available to other centres including the strip centres in Marrickville, Enmore, Newtown et cetera.

In broad terms, therefore, an expanded Marrickville Metro will, according to PBBI, capture 37% of the projected **increase** in retail spending in the MTA during the period 2009-16. Thus, according to the PBBI analysis there will be a substantial growth in spending available to other centres which will more than cushion the shock of any impact caused by an expansion of Marrickville Metro.

3.2.4 Competing Centres

Section 4 of the PBBI Report#2 sets out a very comprehensive analysis of competing retail centres, particularly strip retail centres. Their analysis of strip centres is also supplemented by a report prepared for AMP by PBBI in May 2010 (*Marrickville Metro Retail Strip Review*).

We have no reason to dispute any of the material contained in Section 4 except for an observation made by PBBI (page 36 refers) where they state that the provision of retail centres in the trade area is “sparse” compared to a traditional retail hierarchy and that Marrickville Metro is “the only existing centre or precinct within the main trade area which offers significant comparison shopping facilities, comprising as it

does a Kmart discount department store, Woolworths and ALDI supermarkets and a provision of supporting specialty retailers.”

In this regard we note that while the Broadway shopping centre is technically located just outside the boundary of the Marrickville MTA, Broadway nevertheless provides significant comparison shopping opportunities for trade area residents. This is clearly evident from market research undertaken by AMP which is discussed later in this Report. Also, it could be argued that many of the nearby strip centres contain numerous retailers of clothing and footwear–merchandise segments which are of course staples of comparison shopping.

Hence while the PBBI statement is technically correct, it is potentially misleading in terms of the impression it creates that trade area residents do not have reasonable access to the types of retailing so described.

3.2.5 Impact Analysis

Section 5 of the PBBI Report#2 sets out their projections of the likely annual sales an expanded Marrickville Metro will achieve and the potential impact of this on other centres in 2013.

In Section 5.1 (page 62 refers) PBBI note the existing Marrickville Metro centre achieved total retail sales of about \$204.5 million (including GST) for the 12 months to December 2009.

PBBI identify the 2009 market share of Marrickville Metro in terms of available food and non-food spending as well as the centre’s market share within various parts of the MTA (PBBI Table 5.2 refers).

We understand these market shares were determined by reference to internal market research previously undertaken by PBBi for the centre's owner (AMP).

In summary, PBBi project that an expanded Marrickville Metro will achieve annual sales of \$294.4 million in 2012-13 (\$2008-09). While the overall quantum of the increase in sales projected by PBBi appears reasonable to us having regard to the intended components of an expanded centre, we have some issues with respect to the projected **source** of this future sales growth.

To highlight this issue, we have compared the origin of sales at Marrickville Metro in 2009 as estimated by PBBi with that they estimate for the expanded centre in 2013 (TABLE 3.1 below refers).

TABLE 3.1
PROJECTED CHANGE in SALES – MARRICKVILLE METRO, 2009 and 2013 (\$ Mil. p.a.)

Trade Area Sector...	2009 ¹	2009 Share of Total Sales	2013 ²	2013 Share of Total Sales	Change In Sales	%Change in Sales
		From... (%)		From... (%)	2009-13	
Primary	\$99.0	48.4	\$130.7	44.4	\$31.7	32.0
Secondary	\$64.2	31.4	\$97.2	33.0	\$33.3	51.8
Tertiary	\$18.5	9.0	\$35.3	12.0	\$16.8	90.8
Non Trade Area	\$22.9	11.2	\$30.8	10.5	\$7.9	34.5
Total	\$204.7		\$294.4		\$89.7	

Notes:

1. Prior to Expansion.

2. Post Expansion.

Source: PBBi 2010.

As indicated in TABLE 3.1, the percentage change in the source of sales at an expanded centre from various parts of the trade area compared to the situation prior to the expansion indicates a decline in the proportion

of sales originating from the PTA from 48.4% to 44.4%. Sales from the STA meanwhile are projected to rise from 31.4% to 33% and sales originating from the TTA from 9% to 12%.

The projected percentage increase in turnover at the centre (2009 compared with 2013) drawn from the various trade area sectors is as follows:

▶	PTA	...	+32.0%
▶	STA	...	+51.8%
▶	TTA	...	+90.8%
▶	Non Trade Area	...	+34.5%.

In summary, the sales analysis (and hence the impact analysis) prepared by PBBI is predicated on the expanded centre achieving a very significant percentage increase in the sales it draws from the STA and the TTA and, as discussed below, a high level of “clawback” of escape expenditure which is currently flowing out of the trade area.

In relation to the latter, we note the actual increase in sales projected in 2013 involves a rise in sales from \$214.9 million to \$294.4 million—or an increase of \$79.5 million (PBBI Table 5.6 refers).

Of this, PBBI estimate that only \$41.4 million of additional sales will be captured at the expense of other trade area centres. This implies that some \$38.1 million must be “clawed back” from spending currently being directed to centres outside the trade area. That is, 48% of the projected increase in sales at an expanded Marrickville Metro in the initial year of impact (2013) is projected by PBBI to originate from centres well outside of the trade area.

This assumption in particular has a direct bearing on the impact assessment made by PBBi; we consider it requires some further analysis and explanation.

Market Research

In the course of preparing this Report discussions were held with AMP and its representatives including Mr Dimasi from PBBi. A copy of market research undertaken for AMP in relation to Marrickville Metro by researchers 'twoblindmice' in 2008 was provided. It is understood that this market research formed the basis for the assumptions made by PBBi (discussed above) regarding the expanded centre's increased market share in the STA and TTA and the extent of escape expenditure which could be redirected to an expanded Marrickville Metro.

The market research undertaken by twoblindmice consists of some focus groups conducted in March 2008 and perhaps more importantly a very large telephone survey conducted in July 2008. The latter canvassed the views of some 1,200 respondents in the primary and secondary trade areas.

The telephone survey found that only 46% of respondents were satisfied with Marrickville Metro albeit that the average number of visits to Marrickville Metro per month per respondent was a healthy 5.2. That is, although respondents visited Marrickville Metro frequently they were not all that impressed with it as a centre.

While the survey found that Marrickville Metro was the main destination for food and grocery shopping for 46% of respondents, significant escape spending in the categories of clothing, homewares and gifts flowed to the Sydney CBD and to Broadway.

The survey also found that strip shopping centres were relatively frequently visited by respondents with the most frequently visited strips being in the order of importance:

- ▶ King Street
- ▶ Marrickville Road
- ▶ Enmore
- ▶ Illawarra Road
- ▶ Norton Street, Leichhardt.

The survey found there was considerable cross-shopping between Marrickville Metro and strip centres as well as a significant segment of residents who preferred to shop at strip centres rather than centres such as Marrickville Metro namely:

- | | | |
|--|-----|------|
| ▶ preference for shopping centres | ... | 21% |
| ▶ preference for both strip centres and shopping centres | ... | 58% |
| ▶ preference for strip centres | ... | 21%. |

In our opinion the market research indicates that:

- ▶ there is considerable escape shopping activity—primarily directed to Broadway and the Sydney CBD and, to a lesser extent, to centres in Leichhardt
- ▶ while Marrickville Metro has a strong position in food shopping, its position in clothing, footwear and household goods is relatively weak
- ▶ there is only a medium level of satisfaction with the retail services on offer at Marrickville Metro: hence any improvement

in those services should lift shopper visitation from all parts of the trade area

- ▶ there is a substantial portion of the community which is committed to shopping at strip centres although the overwhelming majority shop on a regular basis at both strip and enclosed centres such as Marrickville Metro.

In relation to the latter point it is our opinion the expansion of Marrickville Metro will not substantially alter these shopping behaviour patterns albeit that Marrickville Metro probably will capture a larger proportion of available spending in the trade area than it does at present. That is, the expanded centre will reduce escape spending but we doubt it will be to the extent assumed by PBBi.

Impact on Centres

Unsurprisingly, substantial differences exist between PBBi and Hill PDA in terms of each consultant's estimates of the potential impact of the proposed expansion of Marrickville Metro.

For instance, in their March 2011 report prepared for the Chamber of Commerce Hill PDA estimated impacts in 2013 of up to -14.3% (-\$21.3 million) on the combined Marrickville and Illawarra Road precincts, -11.5% (-\$4.5 million) for the Enmore Road strip and -8.4% (-\$15.3 million) for King Street, Newtown.

The comparable impacts estimated by PBBi for the above three centres are as follows:

- ▶ Marrickville Road/Illawarra Road ... -\$6.0 million (-4.1%)
- ▶ Enmore Road ... -\$0.6 million (-1.6%)
- ▶ King Street ... -\$2.9 million (-1.6%).

It should be noted that the Hill PDA assessment of impact is based on centres in the trade area experiencing a loss of sales of -\$90.0 million per annum in 2013. This is the difference in sales of Marrickville Metro in 2009 compared with its projected sales in 2013 (post expansion). This overstates the case as the actual projected change in sales in 2013 forecast by PBBI for Marrickville Metro is +\$79.5 million—that is, projected sales in 2013 (pre expansion) less projected sales in 2013 (post expansion).

Hence the Hill PDA estimates of impact tend to be overstated by around 12.0%—that is, the difference between using \$90.0 million as a base compared with using \$79.5 million as a base.

This overstatement (if recalculated) could, for example, reduce the Hill PDA projected impact on Marrickville/Illawarra Road from -11.5% to about -10.1%.

Each analyst has adopted a very different approach to assessing the impact of the proposal. It appears to us that Hill PDA have assumed the majority of the impact of increased sales at an expanded Marrickville Metro will fall on local strip centres. They estimate almost two-thirds of the sales impact will fall on local strips and about 34.2% on Broadway, Norton Plaza and Leichhardt Marketplace combined. PBBI, by contrast, estimate that \$10.2 million of sales or around 12.8% of the overall impact of an expanded centre will fall on local strips. The balance will fall on larger centres such as Broadway, Norton Plaza, the Sydney CBD et cetera.

The two assessments obviously differ markedly and both cannot be correct.

Given the inherent characteristics of retailing in strip centres within Marrickville LGA and surrounding areas, as well as the results of the market research referred to above, we consider the Hill PDA estimates of the impact on strips are overly pessimistic. It is our observation that the surrounding strip centres—while they contain small supermarkets, fresh food vendors, some clothing retailers and the like—provide a different “offering” to that of an expanded Marrickville Metro. For example, the national chain retailers found in centres such as Marrickville Metro are not found in strip centres in the Marrickville area.

In our view an expanded Metro is likely to have a more significant impact on other comparable shopping centres such as Broadway, Norton Plaza, Leichhardt Marketplace and the Sydney CBD rather than the local strip centres because they have a more directly comparable tenancy mix.

That said, we consider the comparatively low estimates of impact on local strips made by PBBI (PBBI Table 5.6 refers) to be overly optimistic. This is largely because the PBBI impact estimates rely heavily on an expanded Marrickville Metro “clawing back” escape spending as well as the expanded centre increasing its market share in the STA and TTA.

We accept there will be some clawback of escape spending presuming the revamped and expanded tenancy mix of the expanded centre responds to the current nature of escape expenditure. Nevertheless, we consider the projected rise in the centre’s market share in parts of the STA and the TTA to be optimistic having regard to the distance of those areas from Marrickville Metro and the planned future increase in the availability of retail facilities particularly in the TTA to the east around Green Square, Victoria Park and the like.

In our assessment the impacts on the relevant retail strips in percentage terms—estimated by PBBI to be between -1.2% to -4.1% (-2.4% on

average)—are more likely to be in the range of -8.0% to -10.0% for Illawarra and Marrickville Roads and probably in the order of -4.0% to -6.0% for King Street and Enmore Road.

4

SIGNIFICANCE of IMPACT

The fundamental question for the Department and the Minister is how significant is the likely impact of the proposed expansion of Marrickville Metro? More pertinently, is the likely impact sufficient to lead to an unacceptable loss of facilities in existing centres and hence a reduction in services currently available to residents?

In our opinion the larger centres surrounding the trade area—Broadway, Leichhardt Marketplace and Norton Plaza—should be able to absorb the likely impacts of the proposed expansion without adverse consequences.

The impacts on strip centres within Marrickville LGA, and those in surrounding LGAs, are much harder to evaluate, however. The principal reason for this is that little is known about the actual trading/viability position of these strips.

As previously noted, PBBI has undertaken extensive analysis of strip centres surrounding the Marrickville Metro site. These surveys found the 2010 vacancy rates within these centres ranged between 8% to 12% which, although reasonably high, is not uncharacteristic of inner city strip centres generally in middle to lower socio-economic areas.

What is unknown, however, is whether or not the retailers in these strips are trading in a viable manner at present. The principal reason for this is that unlike enclosed shopping centres, which are professionally managed, comprehensive data on the performance of retailers in strip centres are not collected.

In the course of preparing this Report anecdotal evidence provided to Leyshon Consulting by representatives of the Marrickville Chamber of

Commerce suggests there has been no growth in the rents being achieved by small shops in Marrickville/Illawarra Roads since Marrickville Metro opened in 1987. In fact the representatives claimed there had been a real decline in prime shop rents of around -50% since 1987.

The rental data contained in the report prepared by Property.Logic.Com is indicative of a real decline in rents—that is, taking inflation into account—since 1989 as far as Marrickville Road is concerned.

Certainly not all of the problems experienced by strip retail centres in Marrickville can be blamed on Marrickville Metro. Since 1987 the resident population of Marrickville LGA has declined by around -9,000 persons or around -10.8%. This is broadly equivalent to a loss in annual available retail spending of about \$76.5 million at current values (\$2011).

There has also been significant demographic change which has seen an ageing population and a decline in average household sizes. Both these factors can have a detrimental impact on retailing whether it be in strip or enclosed centres.

Further, there is little doubt in our mind that many of the strips in inner Sydney are far too extensive in spatial terms to meet contemporary retail circumstances. This inevitably means that retailing is weak at the fringes of these centres; this is certainly evident in both Illawarra Road and Marrickville Road where the quality of retail declines with distance away from the intersection of Illawarra and Marrickville Roads.

Apart from King Street, Newtown which has a vibrancy associated with its significant role as a regional entertainment and dining location, many of the other strips in the area seem to suffer from a lack of reinvestment. Certainly they do not have a significant number of national chain retail tenants.

Nevertheless, as indicated in the market research referred to above, strips are still popular shopping destinations in the Marrickville trade area and likely to remain so whether Marrickville Metro is expanded or not.

Hill PDA in their analysis have projected some alarming increases in vacancy rates should the expansion proceed which could see some centres experiencing vacancies of up to 15%. It is not clear to us how these conclusions were arrived at without knowing how many retailers within the relevant centres are marginal at present and thus likely to cease trading if Marrickville Metro was expanded.

In summary, it is very difficult—if not impossible—to be precise about the impact of an expanded Marrickville Metro except to say that clearly any expansion will have a further negative effect on nearby strip centres. That said, we do not consider the impact will be as severe as that claimed by Hill PDA nor as that feared by the Marrickville Chamber of Commerce. On balance it is our view the impact is unlikely to be significant enough to lead to an unacceptable loss of services in existing strip centres.

In relation to this issue, it also needs to be borne in mind that the adverse effects of the opening of Marrickville Metro in 1987 were heightened by a number of factors specific to that time including:

- ▶ the natural attractiveness of a new centre type offering retail outlets not present in the area
- ▶ the onset of recession in Australia in 1989 which lasted until mid-to-late 1992
- ▶ the relocation of key tenants from Marrickville Road to Marrickville Metro.

In our view these factors are unlikely to be repeated and this, combined with the forecast upward trend in population growth, means in all likelihood the impact of the proposed expansion will be much less than occurred following the initial centre opening in 1987.

5

CONCLUSION

As noted in this Report, it is our opinion that the likely impacts of the proposed expansion of Marrickville Metro will not be as severe as has been projected by Hill PDA and that feared by the Marrickville Chamber of Commerce.

The significant impact on Marrickville/Illawarra Roads following the opening of Marrickville Metro in 1987 was exacerbated by the loss of key tenants and the onset of a nationwide recession which lasted until 1992. Population decline in Marrickville LGA of about 9,000 persons since 1987 is also likely to be a contributing factor.

The current circumstances are different, however. First, the population of Marrickville LGA ceased declining in 2006 and has since started to increase at 1.0%-1.3% per annum. Second, the economic outlook for Australia in the short-to-medium-term is one of reasonably positive economic conditions.

In addition we consider the impacts on the Marrickville/Illawarra Road centre in particular, and the other strips in general, may be less severe than that projected by Hill PDA as these strips function differently to an enclosed centre like Marrickville Metro. Although there are some competitive overlaps, these strip centres will always retain key competitive strengths in the provision of local convenience services, cafe and restaurant services, “boutique” clothing and accessories and professional and personal services. In our opinion, these strengths will not be negated by the proposed expansion of Marrickville Metro.

That said, it is inevitable any change in one of the existing enclosed shopping centres in the surrounding region such as Broadway,

Leichhardt Marketplace, Norton Plaza, Marrickville Metro et cetera will have some negative effect on existing strip shopping centres.

Against this has to be weighed the fact that the proposed expansion of the centre is generally appropriate having regard to projected population and spending growth in the Marrickville trade area.

If the estimates of population and spending growth are accepted, it is difficult to see how the increased demand for retail floorspace could be met by the existing strip shopping centres in the surrounding region.

Based on our observation of centres and research and analysis we have conducted in the past for Leichhardt Council, Marrickville Council and the Council of the City of Sydney, there is no doubt that the expansion and redevelopment of strips is very problematic given site constraints, concerns about traffic congestion, the lack of adequate parking in strip centres and the difficulty of creating new parking areas to service strip centres. Moreover, it seems almost inevitable there will be significant resident opposition to any application for retail development in inner city areas, even those in areas zoned for this activity.

While it is not the role or intention of this Report to solve the problem of retail strips, we recognise that some centres such as Marrickville Road, Enmore Road et cetera are caught in a cycle of low rental values, a lack of reinvestment in retail premises and, in some cases, low standards of shop presentation, service and the like. We do not consider that prohibiting the expansion of Marrickville Metro will solve these problems.

Rather, the long-term solution is more likely to be found in encouraging more commercial as opposed to retail activity in strips and, in particular,

fostering much more intensive forms of residential development in and immediately adjacent to existing strips.

In terms of initiatives available to the Department/Minister to mitigate the impact of the proposed expansion of Marrickville Metro, we consider it would be appropriate for any approval to stipulate a time lapse between the first stage (which we understand to be the development of the industrial site) and the redevelopment of the existing centre. For example, if a period of up to three years was provided for between the completion of Stage 1 and the commencement of trading of Stage 2 this would assist in mitigating detrimental impacts on surrounding strips and enable them better to adjust to any changes in the competitive environment.



APPENDIX A

311011

2 November 2011

Marrickville Chamber of Commerce Inc

Re Analysis of Retail Rents along Marrickville Road since 1986 onwards

We refer to your acceptance of our fee proposal dated 27 October 2011 to provide an analysis of the retail property rents along Marrickville Road from 1986 to 2010 and to compare such rentals to other retail rents and the Sydney Consumer Price Index ('CPI'). The Marrickville Chamber of Commerce ('Chamber') intends to submit this Report to NSW Planning and its consultants as part of its objection to the proposed expansion of the Marrickville Metro Shopping Centre by AMP Capital.

This Report outlines the trends in the retail rentals along Marrickville Road in comparison to Regional and Sub Regional retail rents and the CPI.

Date of market investigation and report

2 November 2011.

Background

We understand that the Chamber considers that since the opening of the Marrickville Metro Shopping Centre in November 1987 that the economic prosperity and trading performance of the Marrickville Road retail strip has suffered significantly as a result of the addition of a significant car based shopping centre approximately 1.5 km from the Marrickville Road retail strip.

The Marrickville Road retail strip is located along Marrickville Road and bounded to the east by Victoria Road, to the west by Petersham Road and to the south by Marrickville Station on Illawarra Road.

In order to establish evidence in support of this objection by the Chamber, the Chamber has requested that we research and investigate the rentals along the Marrickville Road retail strip from the date of the opening of the Marrickville Metro Shopping Centre to the present date.

In order to further understand the performance of these rentals on a comparative basis, we have compared them to subregional and regional shopping centre rentals across Sydney and the CPI.

Sampling

- A review and analysis of 9 individual retail property rents were sampled. The sample was taken from different ends along Marrickville Road (from 189 to 280 Marrickville Road). The sampling process involved an investigation of the rentals recorded in leases registered on the certificate of title of the subject properties, which searches were obtained from the NSW Land and Property Information. These searches are available upon request.
- Annexure A to this Report sets out the rentals for each sample property as extracted from the leases.
- The period of the retail rents tracked was between 1986 to 2010 inclusive of CPI adjustments.
- The following map indicates the general location of the sample properties investigated along Marrickville Road for this Report. All properties sampled are between Illawarra Road to the west and Victoria Road to the east, which is considered to be the strongest retail location.
- The rentals extracted were then converted to per square metre rentals on the basis that each shop was approximately 160m² of lettable area. This is consistent with the net lettable area of the sample properties which are generally traditional 2 storey Victorian retail strip style shops with 5 – 6 metre frontages and 25 – 30 metre depths with a car space at the rear.
- Some of the sample leases and rentals are over the entire 2 level building shop building, further distorting the rental we have extracted as being overvalued – on the basis that the rental simply for the ground level shop area would be arguably less.
- In any event we consider the sample of 9 leased properties over a 25 year period to be sufficient and significant to demonstrate an overall trend.

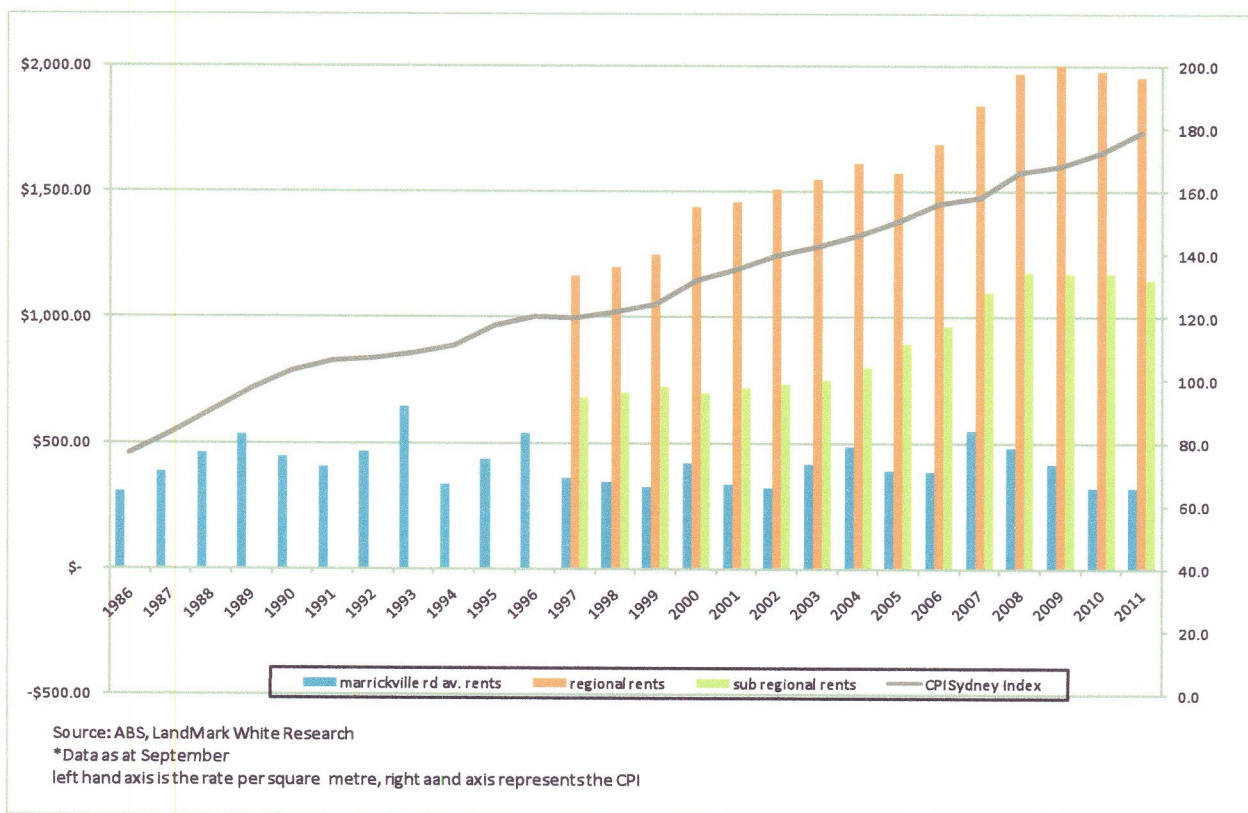


The sampled retail properties are as follows:

189 Marrickville Road, Marrickville;
 199 Marrickville Road, Marrickville;
 208 Marrickville Road, Marrickville;
 210 Marrickville Road, Marrickville;
 237 Marrickville Road, Marrickville;
 238 Marrickville Road, Marrickville;
 239 Marrickville Road, Marrickville;
 258 Marrickville Road, Marrickville; and
 280 Marrickville Road, Marrickville.

Data used for comparison

The analysis of the Marrickville Road retail rents (taken from sample leases) were compared to the Regional and Sub Regional retail rents since 1986 based on an average rate per square metre. All rents were then compared to the Consumer Price Index (CPI). The following graph best illustrates the comparison in rents for the Marrickville retail strip (sampled) compared to the Regional and Sub Regional retail rents (per square metre basis).



Conclusions

The graph above sets out the retail rents (sampled) along Marrickville Road retail strip have reached a rental ceiling with no upward trend in rental growth. From the graph it appears that the rentals along Marrickville Road since 1989 have fallen with the exception of a few spikes in the series. The Regional and Sub Regional retail rents have continued to grow since the data series commenced in 1997. Moreover, the Regional and Sub Regional retail rents have followed the movements in CPI and performed in excess of CPI, demonstrating strong rental growth in real terms.

The research indicates that the rentals along the Marrickville Road Retail Strip have been stagnant and declining. The major reason for this decline is the opening of the Marrickville Metro Shopping Centre in about 1987. In this case given the distance of Marrickville Metro from the Marrickville Road retail strip, there have been no benefits for the retailers along Marrickville Road (i.e. shoppers avoided the strip in favour of the centre). The traditional retail strip attempts to support low car use and is significantly disadvantaged by a large car based centre some distance from it.

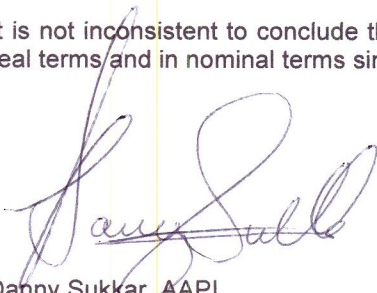
This is different to co-located retail centres and retail strips where the mutual benefits are significant to both the centre and the retail strip, a conclusion which has recently been reached by the Productivity Commission in its investigation of retail zonings and competition. One conclusion may be not to permit previous planning errors to be extended and further enlarge.

In real terms, the rentals exhibit a material and substantial decline. Diminishing retail rentals is consistent with diminishing performance, profitability, revenue and values of the subject retail properties.

I understand that Hill PDA have previously prepared economic assessment reports for the Chamber and Marrickville Council which along with the submissions of Marrickville Council and the Chamber demonstrate the material decline in the viability and vibrancy of the Marrickville Road retail strip since the opening of Marrickville Metro.

This Report now provides the evidence to support these claims by the Chamber and Marrickville Council.

It is not inconsistent to conclude that the rentals along the Marrickville Road retail strip have declined significantly in real terms and in nominal terms since 1987 when the Metro Shopping Centre opened.



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Annexures

- A. table of sample property rentals from 1986 to 2010

Annexure A

Table of sample property rentals from 1986 to 2010.

[illegible]