



ESSENTIAL ECONOMICS

Peer Review Berwick Waterways

Economic Analysis

1 Introduction

This report has been prepared on behalf of the Growth Areas Authority and presents a review of the proposed development of a neighbourhood activity centre (Town Centre) for a site on Centre Road, Berwick as part of the Waterways development.

The proposal is accompanied by economic analysis undertaken on behalf of the land owner, titled **322-340 Centre Road, Berwick Preliminary Need and Demand Analysis** (Urbis Pty Ltd, March 2010). The economic report is the subject of this peer review.

2 Context for Proposed Development

The proposal is for a supermarket-based centre to be constructed at 322-340 Centre Road, Berwick, approximately 4km by road from Fountain Gate, 4km from Casey Central, 3km from Eden Rise and 3km from Berwick.

The centre would be anchored by a full-line supermarket of approximately 3,200m², most likely comprising a Woolworths store. The centre would also have a range of other retail and non-retail tenants, and some community and medical uses. The draft Development Control Plan shows medium density and apartment development in close proximity to the centre.

3 Retail-Economic Analysis

Potential for supermarket development

The following commentary is provided as part of a broad review of the economic report prepared on behalf of the proponent:

- 1 **Trade Area:** The identified trade area is an appropriate indication of the likely trading influence of a Woolworths supermarket at the subject site. The Primary Trade Area sector would be the most important geographic origin of centre turnover, having regard for the location and roles of other centres in the region, and the existing and likely future travel patterns. For the purpose of this peer review, a single main trade area is adopted, consisting of the urbis PTA plus some of the Secondary North Trade Area, as shown in the accompanying Figures 1 and 2 (refer below). It is

acknowledged that accessibility to the site from the north-western part of the trade area is somewhat problematic because of the drainage reserve and the need to travel via Golf Links Road.

- 2 **Population:** According to the Urbis analysis, the PTA has a current (2009) estimated resident population of 9,080 persons, with a further 25,040 persons in the identified secondary trade area sectors. In reviewing these estimates, we note that the latest available data from the ABS (provisional estimates for 2008) indicate a resident population of 9,660 persons in the revised trade area presented in the accompanying Figures 1 and 2.

A population of over 8,000 persons in an identified Primary Trade Area is normally considered sufficient to sustain full-line supermarket shopping facilities.

Growth in population would be expected to occur in the identified trade area, associated with development of the Berwick Waterways precinct and other nearby housing developments. Analysis by GAA indicates that Berwick Waterways would deliver 820 lots at an average 15 lots/hectare (net developable area), and as many as 1,370 lots at 25 lots/hectare (net developable area). On this basis the potential additional population would range from 2,440 persons to 3,840 persons. Residential estates shown in the Urban Development Program are illustrated in Figure 2.

- 3 **Expenditure:** According to the Urbis analysis, the PTA has total expenditure of approximately \$40.6m on food and groceries (F&G) in 2009, increasing to \$49m by 2015.

This compares with our own projected growth in F&G spending, from \$42m in 2009 to \$48.2m in 2015 (noting that these forecasts are for an adjusted PTA and adopt the same forecast population growth as the Urbis report). Overall these figures are consistent with the Urbis analysis.

- 4 **Retail potential:** The Urbis report examines the potential to sustain the proposed new supermarket in the context of the existing and planned provision of supermarket facilities in the surrounding region. The analysis is undertaken on the basis that the new supermarket achieves a 33% market share from throughout the identified MTA, consisting of a 70% market share in the STA-North, 65% market share in the PTA, and 13% market share in the STA-south (note that these market share estimates represent a share of the F&G expenditure of trade area residents that would be expected to be directed to supermarkets in the trade area). Other inputs relate to the amount of trade from beyond the trade area, and the share of liquor and general merchandise sales. Overall, the analysis suggests that the supermarket would achieve total turnover of \$29m in 2012, representing an average of \$7,470/m².

A review of this type of supermarket capacity analysis has been prepared in simplified form by adopting the adjusted PTA and without including a secondary trade area. The analysis is presented in Table 1 below, and presents sensitivity analysis on the basis of achieving market shares ranging from 50% to 70% (and these are typical market shares for neighbourhood centres with definable catchments and branded supermarkets). Other inputs are similar to the Urbis analysis.

The analysis supports the inclusion of a full-line supermarket as part of the town centre development on Centre Road. Average trading levels would be expected to be within the range \$7,000-9,000/m² in 2012, which is sufficient to support the proposed development. Our view would be that the trading levels would be in the low end of this range in initial years, increasing over time as the centre is established and as population growth occurs within the trade area (and especially in the Waterways precinct).

- 5 **Centre Distribution:** Urbis highlight the gap in supermarket provision in the vicinity of the subject site. This is emphasised in Figures 1 and 2 which show 1km radii around each of the main

supermarkets in the surrounding region. The 1km buffer is used to reflect the GAA target that 80% of residents are within 1km of neighbourhood retail facilities.

- 6 **Centre impacts:** An analysis of the potential trading impacts associated with the new centre is provided in the Urbis report. A detailed review of the Urbis impact analysis has not been undertaken; however, it is noted that Eden Rise is a strongly performing centre which is already undergoing expansion and will serve a large definable catchment particularly when the revisions to the UGB are enacted.

Table 1: Supermarket Capacity Analysis

Item	Market share 50%	Market share 65%	Market share 70%'
F&G expenditure \$m	\$45.4m	\$45.4m	\$46.3m
F&G expenditure to supermarkets %	72%	72%	72%
F&G expenditure to supermarkets \$m	\$32.7m	\$32.7m	\$33.4m
<i>Market share achieved by centre</i>	<i>50%</i>	<i>60%</i>	<i>70%</i>
F&G turnover from TA	\$16.3m	\$19.6m	\$23.3m
Plus F&G from beyond TA (10%)	\$1.8m	\$2.2m	\$2.6m
Total F&G turnover	\$18.2m	\$21.8m	\$25.9m
Plus take home liquor (8%)	\$1.6m	\$1.9m	\$2.3m
Total FLG turnover	\$19.7m	\$23.7m	\$28.2m
Plus generam merchandise (6%)	\$1.3m	\$1.5m	\$1.8m
Total turnover	\$21.0m	\$25.2m	\$30.0m
Floorspace	3,200m ²	3,200m ²	3,200m ²
Average trading level	\$6,564/m ²	\$7,876/m ²	\$9,375/m ²

Source: Essential Economics; MarketInfo 2007; Urbis Pty Ltd

Other tenants

The conclusion from this analysis is that a centre at the subject site could support the inclusion of a full-line supermarket of approximately 3,200m² (noting that the actual size of the supermarket might be adjusted in response to particular site design issues or requirements of the operator).

A supermarket of this size would support a range of other retail tenants. Typical businesses would include a newsagency, a bakery, a number of take away food shops, café, hairdresser, fresh food specialties, and possibly some more specialised retailers.

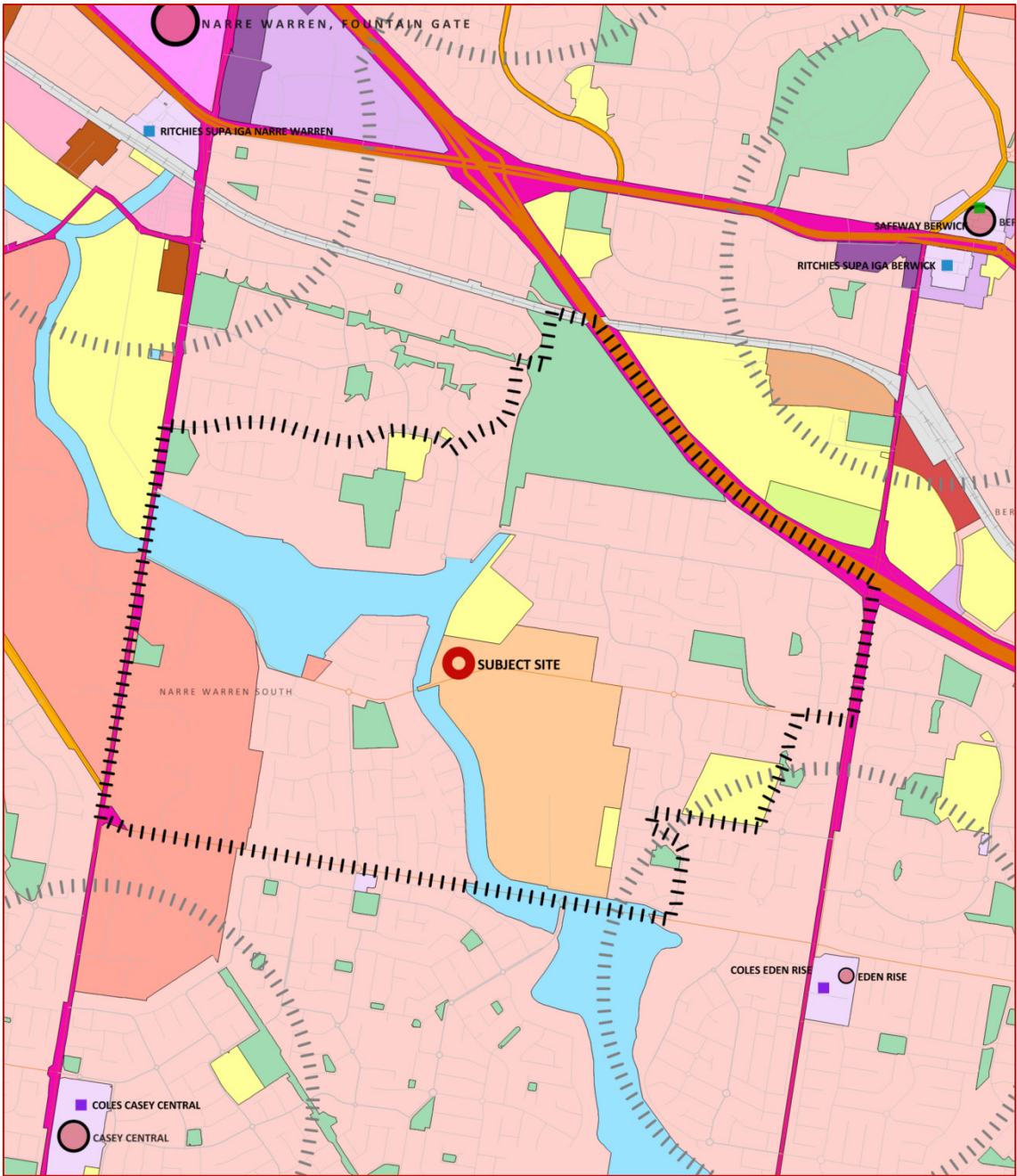
Although a detailed breakdown of floor areas for the non-supermarket elements has not been provided by the proponent and is not included in the Urbis report, a supermarket of this size would normally support in the order of 1,500-2,000m² of specialty retail space, plus an allowance for other non-retail businesses such as banks, estate agents, travel agents, and so on. A total allocation of approximately 6,000m² would be appropriate for the centre as a whole.

It is noted that the draft concept plan for the proposed development at Centre Road includes provision for 900m² of floorspace to accommodate community uses such as dance studio, gym, etc. This floorspace allocation is considered to be in addition to the normal retail and commercial floorspace requirements described above (comprising approximately 6,000m² or so).

4 Conclusion

Overall, this peer review provides support for the proposed construction of a supermarket-based neighbourhood activity centre on Centre Road Berwick to serve residents in the surrounding area and to provide choice and competition in supermarket shopping. A centre comprising in the order of 6,000m² of retail and commercial floorspace would be appropriate, with potential for other community space to accommodate particular features such as dance studio/community hall/multi-function space.

Figure 1: Subject Site Context – Zone Map



Prepared by Essential Economics

Figure 2: Site Context – Urban Development Program



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