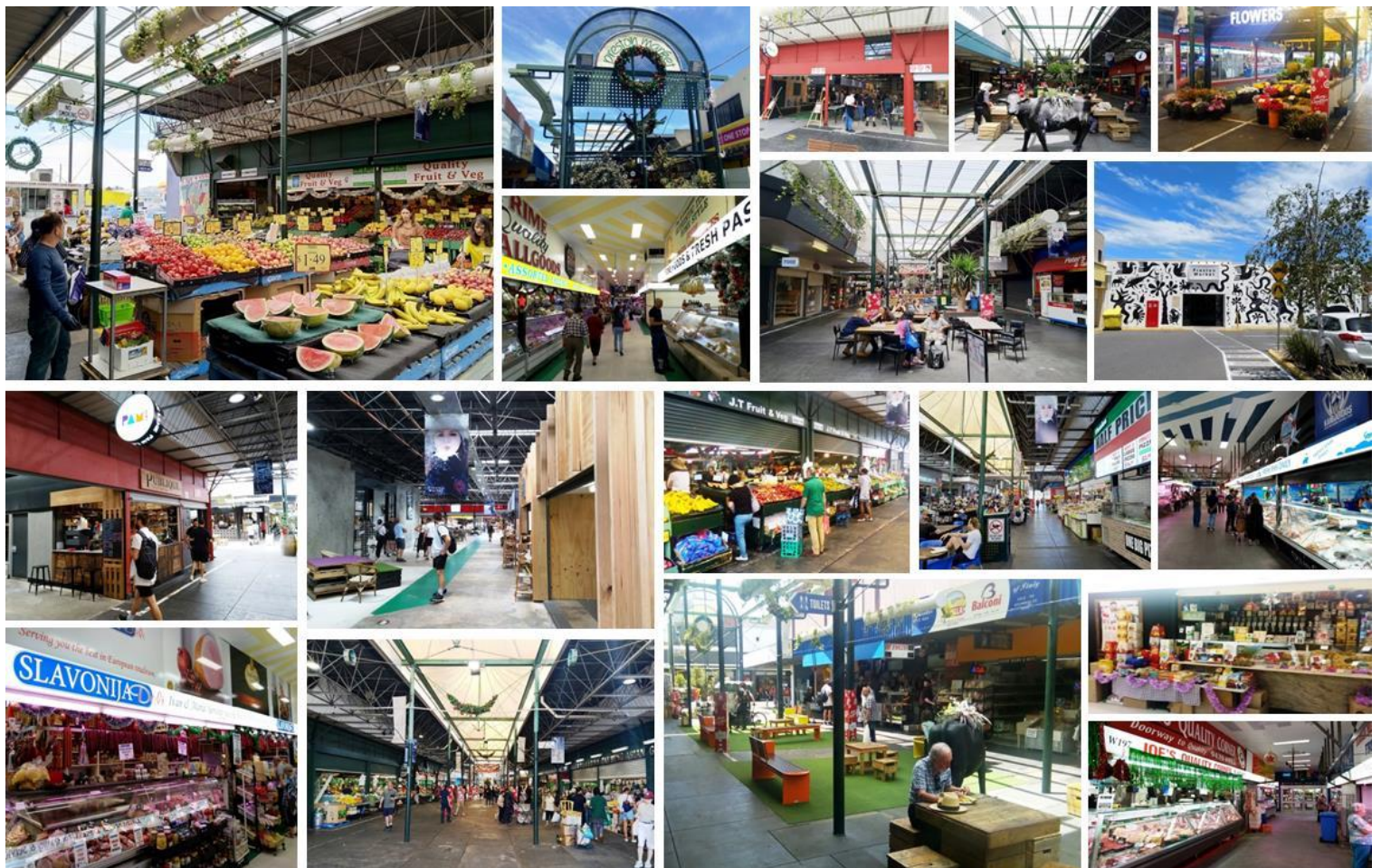


Preston Market

Development potential and Economic Impact Assessment

April 2019



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Executive summary

Report purpose

- The purpose of this report is to provide an independent assessment of the ultimate potential for retail and entertainment facilities at Preston Market, as well as examine the likely economic benefits and impacts arising from the proposed development.

Site context

- Preston Market is located in the northern Melbourne suburb of Preston, approximately 12 km from the CBD. The site is situated immediately west of High Street and a short distance north of Bell Street – two major arterial thoroughfares through the northern suburbs of Melbourne.
- Preston Market opened in 1970, and is the second largest fresh-food market in Melbourne. The Preston Market site is 4.6 hectares in size and currently comprises some 120 market traders, including greengrocers, delis, a meat and fish section, a number of cafés/take-away food outlets and non-food speciality shops. The site also accommodates an Aldi supermarket and Centrelink offices.
- Preston Market forms part of the Preston-High Street Activity Centre as identified in *Plan Melbourne*.

Planned development

- Salta Properties is planning a major mixed-use development at the Preston Market site, which is to include a relocation of the market and the construction of a number of high-rise residential towners with ground floor retail, as well as a potential cinema and community/commercial uses. A residential component with around 2,500 apartments is also planned to be developed at the subject site.

Resident trade area population

- The main trade area population is estimated at around 160,000 people at 2018, including over 32,100 people in the primary sector, with over 528,000 residents estimated in the total trade area.
- In the future, population growth in the trade area will be driven primarily by further in-fill development and renewals of older housing stocks. A major source of additional dwellings will be in larger redevelopment sites in existing residential areas, which typically involve the conversion of former industrial sites. The planned residential component at the subject site will drive significant population growth in the primary sector in the medium term.
- The main trade area population is projected to reach around 202,600 people by 2031, with the primary sector projected to contain 44,800 residents by that date. The total trade area population is projected to reach 632,400 by 2031.

Other customer segments

- Preston Market is expected to also serve workers from within a 10 minute or less walking time from the subject site, which generally encompasses the Preston-High Street Activity Centre. The workforce population within the defined worker catchment is estimated at around 5,900 workers. Workers generally spend money on catered food and drink during lunchtime and on other retail uses before and after work, and would be particularly drawn to the food and beverage uses proposed at Preston Market development.

Competitive environment

- MacroPlan undertook an audit of the High Street Activity Centre in December 2018. Based on the audit, we estimate that the High Street Activity Centre comprises around 135 occupied retail tenancies over 15,600 sq.m of floorspace, as well as around 94 occupied non-retail floorspace tenancies over almost 11,000 sq.m of floorspace, excluding Preston Market. Food makes up the largest proportion of retail floorspace within the activity centre, accounting for around 36% of occupied floorspace. The majority of this floorspace is concentrated north of Cramer Street, with a large range of

Asian restaurants located along High Street in this area. We estimate that there are around 20 vacancies across 2,400 sq.m of floorspace within the activity centre, which represents 8.4% of total floorspace.

- The main regional shopping centre serving this part of Melbourne is Northland SC, which is located approximately 2.4 km east of the Preston Market site. Northland SC includes a broad range of retail and non-retail facilities, being anchored by a Myer department store, Kmart and Target discount department stores (dds) and Coles, Woolworths and Aldi supermarkets, and serves a broad region of northern Melbourne.
- In terms of future competition, a mixed use development is underway at the former Pentridge Prison, located to the west of Preston Market. Along with a major residential component, the development is planned to feature a shopping centre with a supermarket anchor and a range of specialty stores and cafés, bars and restaurants, as well as a 15 screen Palace Cinema complex and a hotel.

Market case study

- A comparative analysis of a number of other major fresh food markets located in metropolitan Melbourne was undertaken to provide insight into the composition of these markets, including both retail and non-retail uses, as well as noting the presence, observed performance and implications of surrounding supermarkets on the fresh food components of the markets.
- South Melbourne Market, Prahran Market and Dandenong Market are all located in close proximity to all three major supermarket brands – Coles, Woolworths and Aldi – and it was observed that this did not impact the viability or performance of the fresh food markets. The supermarkets have been in operation for many years and appear complement the fresh food offer of the markets, attracting customers to the area and helping to create major retail precincts.

Retail potential

- Based on the supermarket floorspace demand analysis, there is clearly a need for additional supermarket floorspace within the primary sector, and the existing supermarkets are therefore not expected to be negatively impacted by the development of a Coles supermarket at the Preston Market site. The addition of a Coles supermarket to the existing Woolworths and Aldi facilities will also better serve the supermarket needs of surrounding residents, and having the three major supermarkets in one location will create a draw in its own right. There are no other Coles supermarkets located within 2 km of the subject site.
- The retail component of the proposed mixed-use development at Preston Market is assessed to be able contain 13,800 sq.m of 'traditional' retail floorspace, including supermarket anchors totalling 5,600 sq.m, 3,200 sq.m of mini-major tenancies, together with 550 sq.m of fresh food specialties, 2,350 sq.m of food catering specialties and 2,100 sq.m of non-food specialties. Around 500 sq.m of non-retail shopfront floorspace (such as real estate agents and Australia Post) is also considered supportable.
- The total sales potential for the traditional retail component of the development is estimated at \$104.7 million at 2020/21. This total comprises \$54.1 million of supermarket sales, \$19.3 million of mini-major sales and \$31.3 million of specialty sales (\$20.4 million food and \$10.9 million non-food).

Entertainment and non-retail potential

- Cinema complexes can add greatly to the overall offer of shopping centres and can support dining/entertainment precincts, which further enhances the draw of the centre and provides flow-on benefits to other retailers. The proposed Preston Market cinema complex has the potential to support around 177,000 visits in its first year of operation, which could potentially support a boutique offer of 4 – 5 screens at 2021, and could be provided as part of a broader entertainment precinct, including a dining precinct and an additional entertainment facility such as mini-golf or bowling.

- Other non-retail/commercial facilities that could be provided at Preston Market include a fitness centre/wellbeing studio, medical centre and allied health facilities, a childcare centre and offices, given the central location of the site and good access to public transport facilities.

Office market assessment

- A high-level assessment of the demand and supply for commercial office uses in the area was undertaken. Given that the subject site is situated within immediate proximity to public transport and easy access to a number of arterial roads, the proposed mixed-use redevelopment planned at the subject site will attract significant weekday/weekend visitation to the area. This presents some level of potential for commercial office space to capture part of the unmet demand for small-scale strata-format office space, noting that Centrelink offices are already located at the subject site. The analysis outlined the estimated theoretical demand for additional office floorspace is approximately 52,130 sq.m GFA in the study area by 2031.
- Considering the availability of commercial land, clusters of current office stock (including co-working space), possible future pipeline in the study area, and the subject site's locational advantages and proposed mixed-use redevelopment, an up to 10-15% market share of forecast study area demand is assumed for the subject site. This indicates there may be an opportunity for the subject site to provide up to approximately 5,200-7,800 sq.m of office GFA.

Total centre potential

- The potential composition of the total centre, in addition to the relocated market, could include a traditional retail component anchored by Coles and Aldi supermarkets, a large format retail precinct, an entertainment precinct, and other non-retail facilities such as a fitness centre, a medical centre and a childcare centre.
- The total retail sales potential for the retail/entertainment facilities component of the development is estimated at \$135.2 million at 2020/21. This total comprises the traditional retail component of \$104.7 million, \$17.5 million of large format retail sales (around \$3 – 5 million for each tenant) and \$13 million for the entertainment facilities (\$4.5 million for a 4 – 5 screen cinema, \$4 million for an additional entertainment facility

such as mini-golf or bowling and \$4.5 million for a dining precinct). These estimates assume that a range of quality tenants can be attracted to the site.

Employment creation

- Based on the amount and nature of floorspace to be included in the proposed development, we estimate that approximately 765 additional ongoing direct retail/entertainment jobs would be created at Preston Market, as well as potentially around 285 office jobs based on the inclusion of 5,000 sq.m of office space.
- In total it is estimated that the redeveloped Preston Market precinct can support around 1,000 – 1,100 additional ongoing jobs, or around 1,400 ongoing jobs including existing jobs on site. This represents a fourfold increase in the potential number of direct jobs on site post redevelopment compared with current number of estimated jobs on site.

Economic impact considerations and net community benefit

- The analysis in this report demonstrates that a range of economic and social benefits are likely to arise from the redevelopment of Preston market. These include serving the retail needs of the growing trade area population; improving shopping choice for residents, workers and visitors; strengthening the status of the Preston Activity Centre; and creating local employment opportunities. The development is expected to have some trading impacts on existing facilities in the region, however, the impacts will not be such as to threaten any existing facility's ability to continue operating successfully.
- Overall, the redevelopment of Preston Market will greatly enhance the shopping choice and convenience of local residents and workers, and will meet their needs in terms of offering a redeveloped Market, a full range Coles supermarket as well as a broad range of additional retail, entertainment and other non-retail facilities. The viability of existing retailers in the area will not be adversely affected by Preston Market given the rapid population occurring in the area and the broad draw of the Market and Preston Activity Centre. Some existing activity centres in the area may experience a moderate trading impact, though the potential impacts will not threaten the ongoing viability of existing retailers in the region. The redevelopment of Preston Market will also drive increased visitation levels and strengthen the Preston Activity Centre. Therefore, it can be concluded that a net community benefit will result from the proposed development.

Introduction

This report presents an independent assessment of the ultimate potential for retail and entertainment facilities at Preston Market, an inner suburban fresh food market located within the City of Darebin, some 12 km north of the Melbourne CBD, as well as examine the likely economic benefits and impacts arising from the proposed development. The report has been prepared in accordance with instructions received from Salta Properties, and is structured as follows:

- **Section 1** presents an overview of the local and regional context surrounding the subject site, as well as detailing the proposed development at Preston Market.
- **Section 2** examines the trade area likely to be served by the retail uses at the subject site, including current and projected population levels, the socio-demographic profile of the trade area population, and estimates of current and future retail expenditure of trade area residents. An overview of the local worker population is also provided.
- **Section 3** provides an overview of the composition of nearby High Street, and outlines the competitive environment of the surrounding area, including proposed developments.
- **Section 4** outlines the expected demand for retail floorspace at the subject site.
- **Section 5** presents a case study analysis of the major fresh food markets located in metropolitan Melbourne.
- **Section 6** assesses the scale of retail uses expected to be supportable at the subject site, and the likely sales potential for the proposed retail centre.
- **Section 7** provides an assessment of the potential for cinema, entertainment and other non-retail facilities at the subject site.
- **Section 8** provides an office market assessment for the subject site.
- **Section 9** assesses the impacts on surrounding retail precincts that can be anticipated from the proposed development.
- **Section 10** provides our key findings and recommendations for the subject site.

Section 1: Site context and proposed development

This section of the report details the local and regional contexts of the site and also discusses proposed development at Preston Market.

1.1 Site location and context

Map 1.1 shows the location of Preston Market as well as the regional context of the site. Preston Market is located in the northern Melbourne suburb of Preston, approximately 12 km from the CBD. The site is situated immediately west of High Street and a short distance north of Bell Street – two major arterial thoroughfares through the northern suburbs of Melbourne. Preston Market is also located in close proximity to a number of other major thoroughfares, including to Plenty Road to the east and St Georges Road to the west. Regional access to Preston is available from CityLink to the west, the Metropolitan Ring Road the north and Eastern Freeway to the south.

Preston Market opened in 1970, and is the second largest fresh-food market in Melbourne. Map 1.2 shows the locations of the major fresh-food markets in Melbourne, and illustrates the lack of competing market facilities in Melbourne's north. The major fresh-food markets of Melbourne include Camberwell Market, Oakleigh Market and Dandenong Market located to the south-east of Preston; Queen Victoria Market, South Melbourne Market and Prahran Market located to the south; and Footscray Market located to the south-west.

The local context of the site is shown on the attached Map 1.3, with the site being adjoined to the north by a Woolworths supermarket and to the east by Preston Railway Station. The subject site has extensive frontage to Murray Road and Cramer Street, and is located immediately west of High Street and east of St Georges Road.

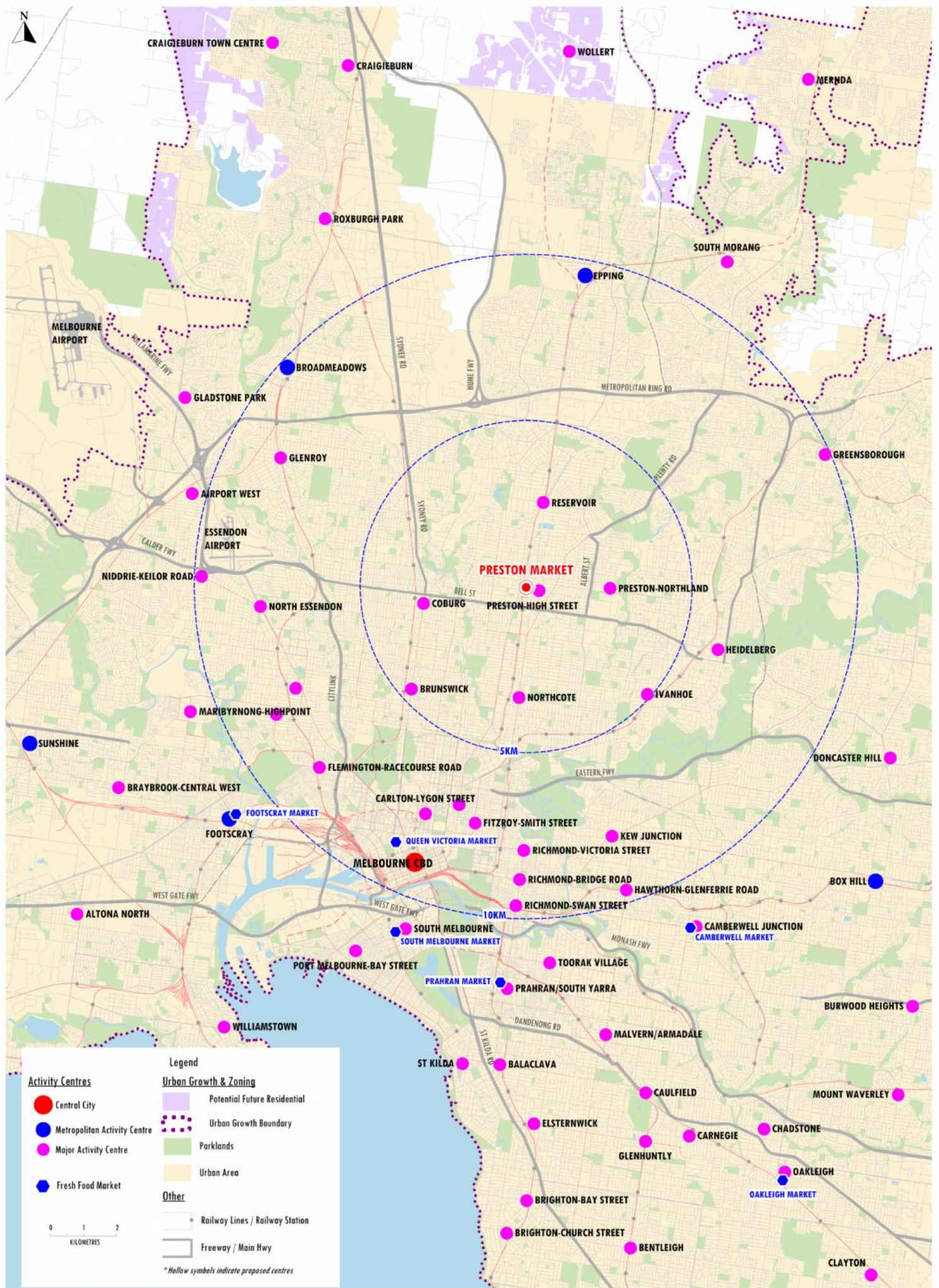
The Preston Market site is 4.6 hectares in size and currently comprises some 120 market traders, including greengrocers, delis, a meat and fish section, a number of cafés/take-away

food outlets and non-food speciality shops. The site also accommodates an Aldi supermarket and Centrelink offices.

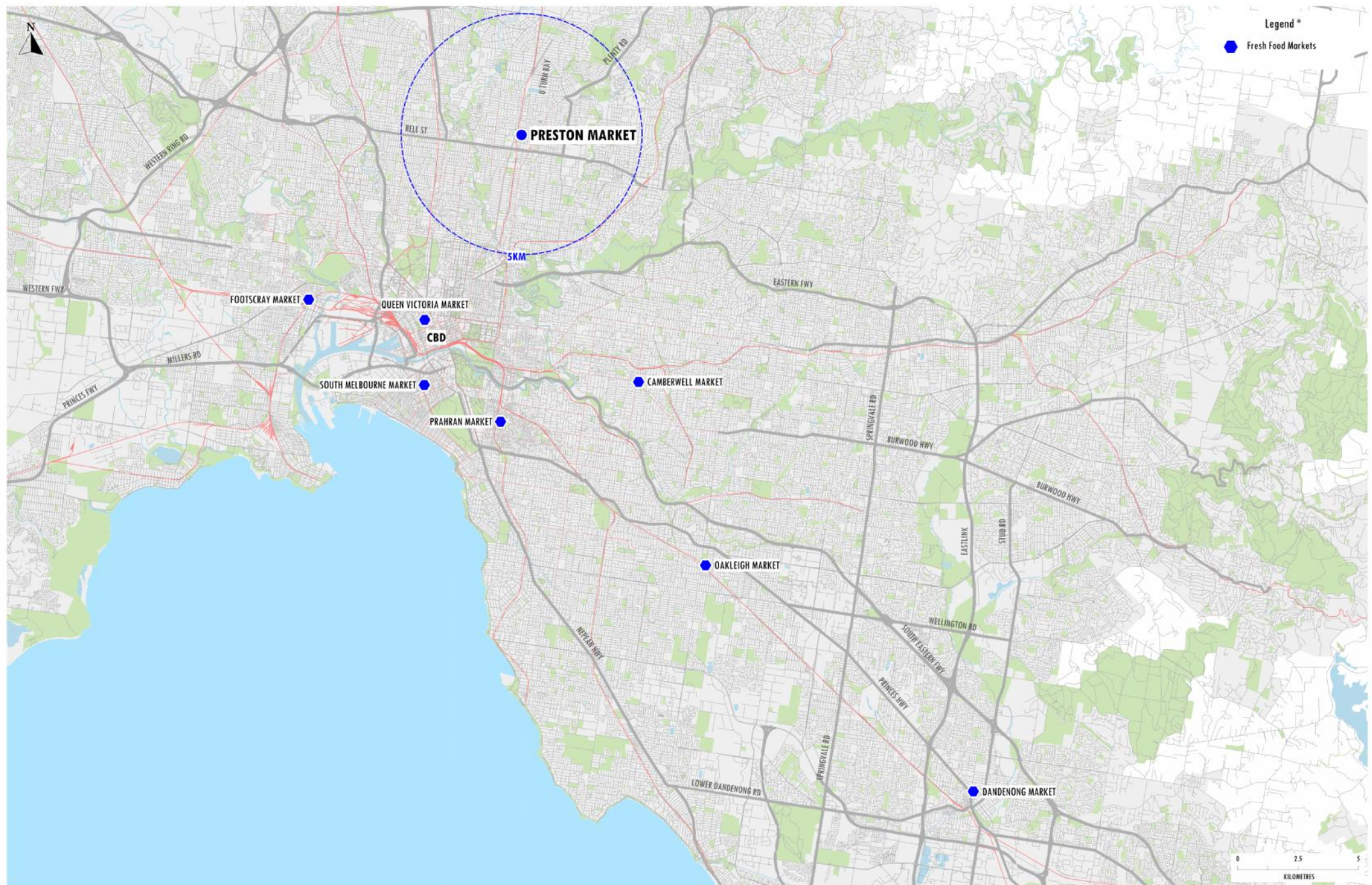
Preston Market forms part of the Preston-High Street Activity Centre as identified in *Plan Melbourne*. Activity Centres throughout Melbourne play diverse roles in terms of accommodating housing, retail, commercial and civic services. Plan Melbourne outlines that Activity Centres are to provide communities with convenient access to a wide range of goods and services, and are to contribute to vibrancy of local economies.

The Preston-High Street Activity Centre is strategically located along High Street, extending north from Bell Street. The Activity Centre provides the main concentration of retail facilities and services in the area, and includes two major supermarkets – Woolworths and Aldi – and an extensive provision of strip retailing, primarily on High Street, as well as the fresh-food market retailing offered at Preston Market. In total, the Preston-High Street Activity Centre contains an estimated 30,000 sq.m of retail floorspace and is a major destination for shopping and other uses for surrounding residents. Preston-High Street is the designated Activity Centre to serve residents of the broad Preston locality, with the closest other Activity Centres located in the surrounding region being Reservoir to the north, Preston-Northland to the east, Northcote to the south and Coburg to the west.

The City of Darebin released the *Technical and Pre-Feasibility Study – Preston Level Crossing Grade Separations* report in March 2017, which was completed by Raylink Consulting, John Hearsch Consulting and Rail Asset Partnership. Its purpose was to examine solutions for expanding the scope of the Bell Street level crossing removal project to include plans for elevating Preston Station and a large extent of the rail line. The City of Darebin took the view that an elevated rail solution is the best fit for the area, stating that the ‘study clearly shows that an elevated rail bridge by far produces the best outcomes for the local community’ and that the ‘inclusion of Cramer Street and Murray Road will improve pedestrian and cycling safe access around the Preston Market’. The City of Darebin has submitted the study to the Level Crossing Removal Authority. In October 2018, the Labor Government announced that they would build a sky rail from Oakover Road in Preston to High Street in Reservoir, which includes Preston Station.



Map 1.1: Preston
Regional context



Map 1.2: Melbourne
Fresh food markets



Map 1.3: Preston Market
Site location

1.2 Existing composition and proposed development

Table 1.1 details the existing composition of the Preston Market site, which includes around 120 traders with a range of fresh food facilities as well as food catering and general merchandise tenants.

Salta Properties is planning a major mixed-use development at the Preston Market site, which is to include a relocation of the market and the construction of a number of high-rise residential towers with ground floor retail, as well as a potential cinema and community/commercial uses.

The indicative plans for the Ground Level of the proposed development include a Coles supermarket at the southern extent of subject site at Cramer Street, alongside the existing Aldi supermarket, with a broad range of mini-major, specialty and food and beverage tenancies proposed throughout the development, extending north to Murray Road. The relocated market facilities are planned to be located on the eastern extent of the subject site. Two levels of basement carparking and additional parking on Level 1 are to be provided at the site.

A potential cinema and entertainment uses are planned on Level 2 of the development, along with community facilities and a childcare centre. Office facilities are also planned on Levels 1 and 2 of the development. The entertainment precinct would serve a wide catchment and attract customers to Preston Market from the surrounding area. It would also support a range of food and drink premises at the site, and will extend the hours when the precinct is actively used.

A residential component with around 2,500 apartments is also planned to be developed at the subject site and the adjoining VicTrack land.

Table 1.1
Preston Market - Existing composition

Category	No. of traders
Aldi supermarket	1
Mini-major	
• Asian groceries	1
<u>Food specialties</u>	
Food retail	<u>50</u>
• Bakery	3
• Confectionary/nuts	3
• Deli	5
• Fruit and veg	10
• Meat and poultry	18
• Seafood	6
• Specialty grocery	4
• Liquor	1
Food catering	<u>26</u>
• Takeaway food	18
• Cafe/restaurant	8
Total food specialties	76
<u>Non-food specialties</u>	
Apparel	<u>12</u>
• Womens	6
• Childrens	1
• Footwear	2
• Accessories	3
Household	<u>12</u>
• Giftware	5
• Homewares	6
• Electrical	1
Leisure	<u>2</u>
• Newsagent	1
• Party supply	1
General	<u>4</u>
• Discount variety	1
• Florists	2
• Tobacconist	1
Retail services	<u>6</u>
• Key cutting, shoe/watch repairs	2
• Hairdressing & beauty	4
Total non-food specialties	36
Total specialties	112
Total retail	114
<u>Non-retail shopfront</u>	
Lotto	1
Massage	1
Auto	1
Centerlink office	1
Non-retail services	<u>1</u>
Total non-retail shopfront	5
Total market	119

Source: MacroPlan Dimasi



Preston Market

Section 2: Trade area analysis

This section of the report examines the trade area that is expected to be served by the retail component of the proposed development at Preston Market, including current and projected population levels, the socio-demographic profile and the retail expenditure capacity of trade area residents. An overview of the worker population in the immediate surrounding area is also provided.

2.1 Trade area definition

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

- The relative attraction of the centre, in comparison with alternative competitive retail facilities. The factors that determine the strength and attraction of any particular centre are primarily its scale and composition (in particular the major trader or traders that anchor the centre); its layout and ambience; and carparking, including access and ease of use.
- The proximity and attractiveness of competitive retail centres. The locations, compositions, quality and scale of competitive retail facilities all serve to define the extent of the trade area which a shopping centre is effectively able to serve.
- The available road network and public transport infrastructure, which determine the ease (or difficulty) with which customers are able to access a shopping centre.
- Significant physical barriers which are difficult to negotiate, and can act as delineating boundaries to the trade area served by an individual shopping centre.

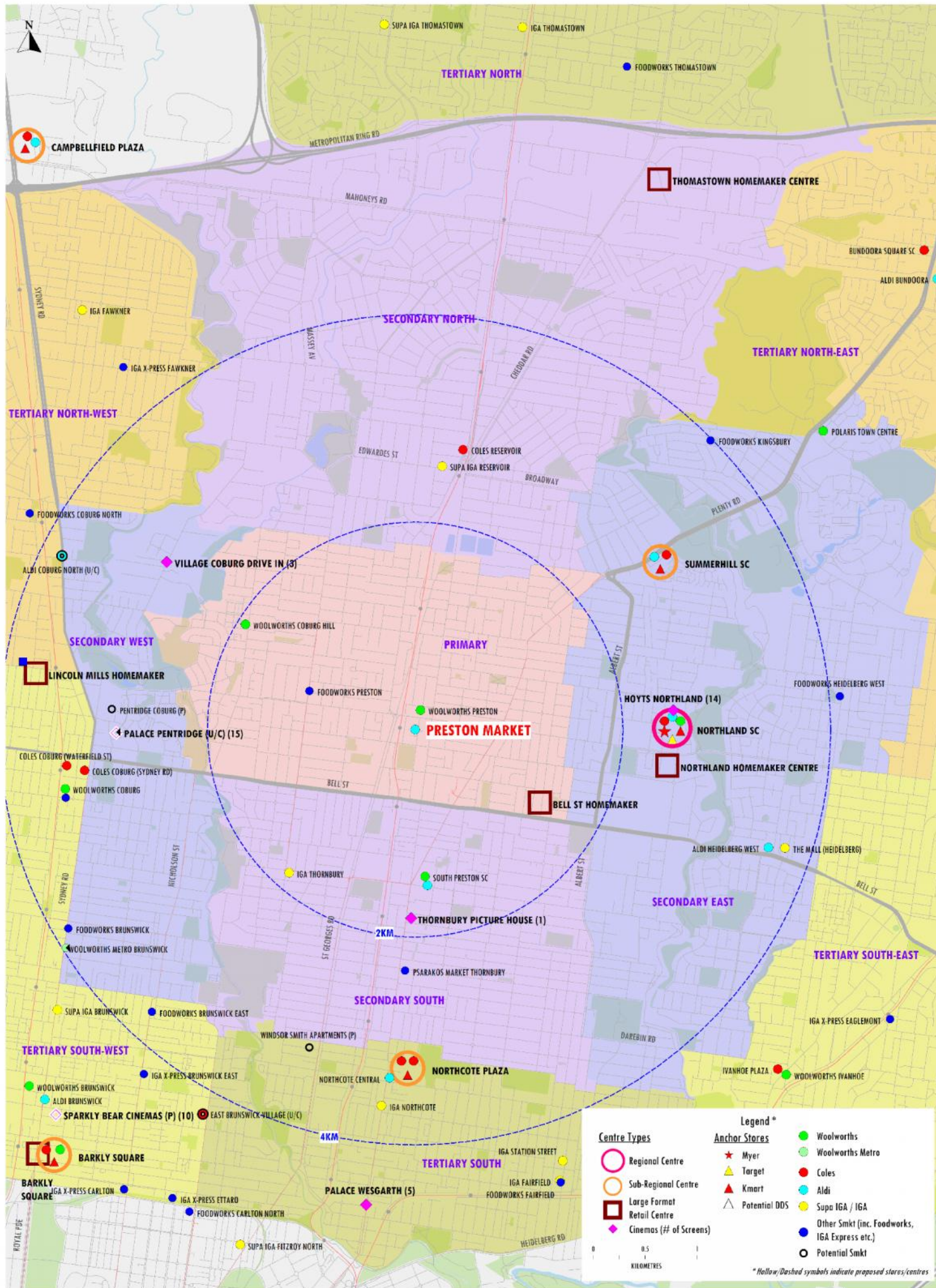
Taking the above into account, the trade area for Preston Market is determined by the following key factors:

- The strategic location of the site as part of the Preston Activity Centre, which allows the future development to benefit from the broad drawing power of the Activity Centre.
- The draw of the Preston Market, which is the only fresh food market in the northern Melbourne area.
- The location of the site a short distance west of High Street, east of St Georges Road and south of Murray Road, which ensures it is easily accessible from a broad surrounding region.
- The location of the Preston Railway Station adjacent to the site, which is planned to be upgraded to a 'sky rail' type facility in the future.
- The role of the project, which is planned to be a major mixed-use development and include a broad range of uses.

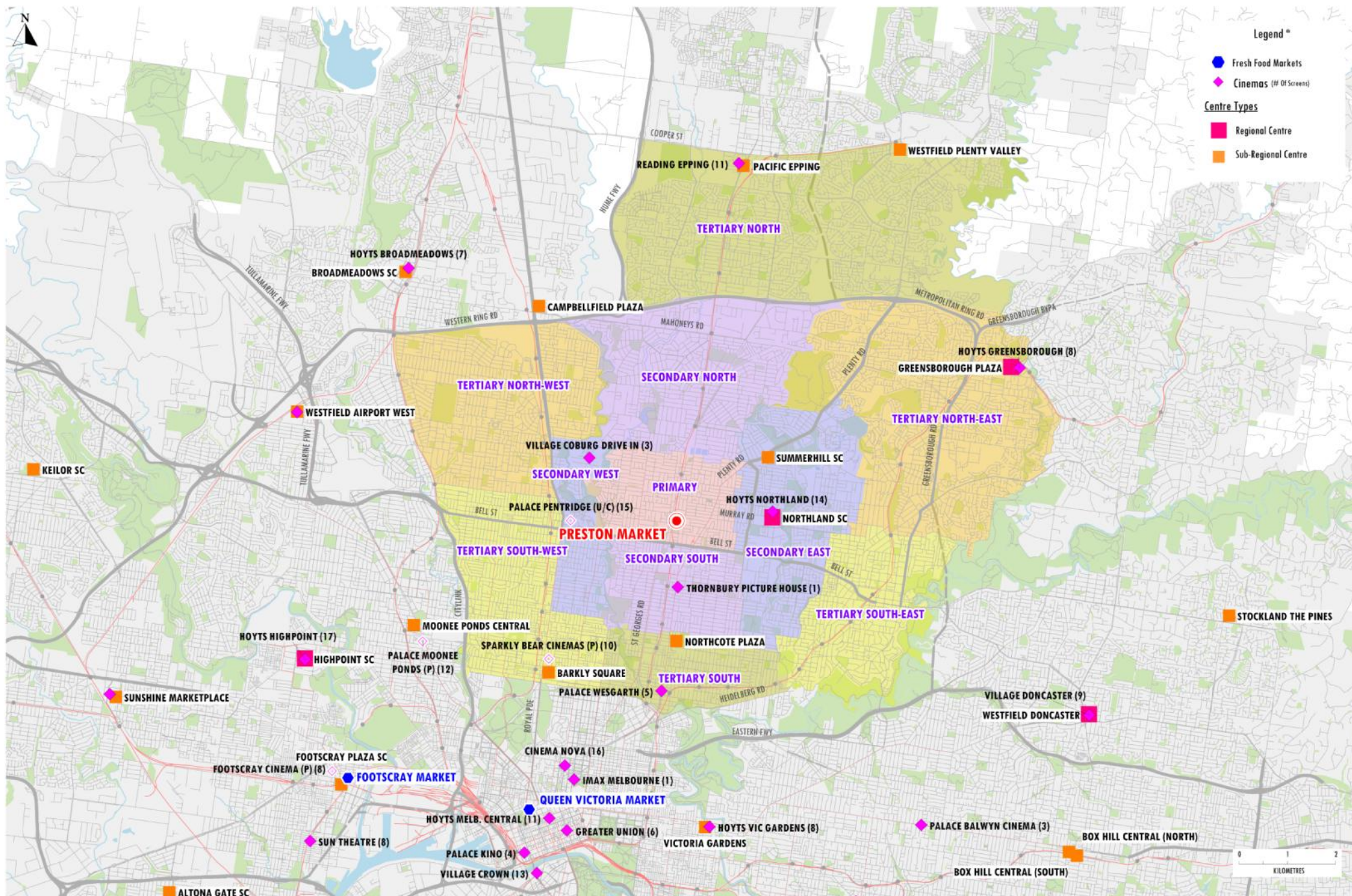
For these reasons, and also guided by the overall principles described previously, we have defined a broad region surrounding the subject site as the potential catchment/trade area. The trade area comprises one primary sector, four secondary sectors and six tertiary sectors. The primary sector extends south to Bell Street and around 2 km to the north, east and west. The secondary sectors extend for a further 2-4 km around the site, while the tertiary sectors extend for a further 2-4 km around the site.

The primary and secondary sectors, in combination, are referred to as the **main trade area** throughout the remainder of this report, while the combination of the main trade area and tertiary sectors is referred to as the **total trade area**. This is a broad trade area that reflects the regional draw of the current (and anticipated future) offer within the Preston Activity Centre, and particularly the inclusion of the only fresh food market in northern Melbourne.

Maps 2.1 and 2.2 illustrate the main trade area and total trade area respectively estimated to be served by Preston Market.



Map 2.1: Preston Market
Main trade area and competition



Map 2.2: Preston Market
Total trade area and competition

2.2 Trade area population

Table 2.1 details the current and projected population levels within the main trade area. This information has been collected from a range of sources, including the following:

- Australian Bureau of Statistics (ABS) Census of Population and Housing (2011 and 2016);
- ABS Dwelling Approvals data and Estimated Resident Population (ERP) data (2011-18);
- Victoria in Future 2016 Population Forecasts prepared by the State Government;
- Forecast.id population projections prepared for the City of Banyule (November 2017), City of Darebin (November 2017), Moreland City Council (December 2017) and the City of Whittlesea (November 2017);
- Other investigations of future residential development undertaken by this office.

Over the most recent intercensal period (2011-2016), the main trade area population increased from 141,730 to 153,960, at an average of 1.7% per annum (or around 2,450 people per annum), while the total trade area population increased from 472,520 to 509,910 at an average of 1.5% per annum. The main trade area population is estimated at around 160,000 people at 2018, including over 32,100 people in the primary sector, with over 528,000 residents estimated in the total trade area.

In the future, population growth in the trade area will be driven primarily by further in-fill development and renewals of older housing stocks. A major source of additional dwellings will be in larger redevelopment sites in existing residential areas, which typically involve the conversion of former industrial sites. A residential component with around 2,500 apartments is also planned to be developed at the subject site and the adjoining VicTrack land, which will drive significant population growth in the primary sector in the medium term.

The main trade area population is projected to reach around 202,600 people by 2031, with the primary sector projected to contain 44,800 residents by that date. The average annual growth rate over the forecast period for the main trade area is estimated at 1.8% per annum, with the growth rate for the primary sector higher at 2.6% per annum. The total trade area population is projected to reach 632,400 by 2031.

Table 2.1
Preston Market trade area population, 2011-2031*

Estimated population						
Trade area sector	2011	2016	2018	2021	2026	2031
Primary	28,250	30,720	32,120	34,820	39,820	44,820
Secondary sectors						
• North	35,770	38,630	40,030	42,130	45,630	49,130
• East	28,290	30,670	31,670	33,470	36,470	39,470
• South	32,780	35,920	37,320	39,420	42,920	46,420
• West	<u>16,640</u>	<u>18,020</u>	<u>18,820</u>	<u>19,720</u>	<u>21,220</u>	<u>22,720</u>
Total secondary	113,480	123,240	127,840	134,740	146,240	157,740
Main trade area	141,730	153,960	159,960	169,560	186,060	202,560
Tertiary sectors						
• North	85,960	91,090	92,690	94,490	97,490	100,490
• Nth-east	68,930	71,020	72,020	73,520	76,020	78,520
• Sth-east	29,170	30,890	32,090	33,890	36,390	38,890
• South	31,910	34,560	36,160	38,560	41,560	44,560
• Sth-west	66,280	74,040	78,040	84,040	90,040	96,040
• Nth-west	<u>48,540</u>	<u>54,350</u>	<u>57,150</u>	<u>61,350</u>	<u>66,350</u>	<u>71,350</u>
Total tertiary	330,790	355,950	368,150	385,850	407,850	429,850
Total trade area	472,520	509,910	528,110	555,410	593,910	632,410

Average annual growth (no.)						
Trade area sector	2011-16	2016-18	2018-21	2021-26	2026-31	
Primary	494	700	900	1,000	1,000	
Secondary sectors						
• North	572	700	700	700	700	
• East	476	500	600	600	600	
• South	628	700	700	700	700	
• West	<u>276</u>	<u>400</u>	<u>300</u>	<u>300</u>	<u>300</u>	
Total secondary	1,952	2,300	2,300	2,300	2,300	
Main trade area	2,446	3,000	3,200	3,300	3,300	
Tertiary sectors						
• North	1,026	800	600	600	600	
• Nth-east	418	500	500	500	500	
• Sth-east	344	600	600	500	500	
• South	530	800	800	600	600	
• Sth-west	1,552	2,000	2,000	1,200	1,200	
• Nth-west	<u>1,162</u>	<u>1,400</u>	<u>1,400</u>	<u>1,000</u>	<u>1,000</u>	
Total tertiary	5,032	6,100	5,900	4,400	4,400	
Total trade area	7,478	9,100	9,100	7,700	7,700	

Average annual growth (%)						
Trade area sector	2011-16	2016-18	2018-21	2021-26	2026-31	
Primary	1.7%	2.3%	2.7%	2.7%	2.4%	
Secondary sectors						
• North	1.6%	1.8%	1.7%	1.6%	1.5%	
• East	1.6%	1.6%	1.9%	1.7%	1.6%	
• South	1.8%	1.9%	1.8%	1.7%	1.6%	
• West	<u>1.6%</u>	<u>2.2%</u>	<u>1.6%</u>	<u>1.5%</u>	<u>1.4%</u>	
Total secondary	1.7%	1.8%	1.8%	1.7%	1.5%	
Main trade area	1.7%	1.9%	2.0%	1.9%	1.7%	
Tertiary sectors						
• North	1.2%	0.9%	0.6%	0.6%	0.6%	
• Nth-east	0.6%	0.7%	0.7%	0.7%	0.6%	
• Sth-east	1.2%	1.9%	1.8%	1.4%	1.3%	
• South	1.6%	2.3%	2.2%	1.5%	1.4%	
• Sth-west	2.2%	2.7%	2.5%	1.4%	1.3%	
• Nth-west	<u>2.3%</u>	<u>2.5%</u>	<u>2.4%</u>	<u>1.6%</u>	<u>1.5%</u>	
Total tertiary	1.5%	1.7%	1.6%	1.1%	1.1%	
Total trade area	1.5%	1.8%	1.7%	1.3%	1.3%	

*As at June

Source: ABS Census 2016; Victoria In Future 2016; Forecast.id; MacroPlan Dimasi

2.3 Socio-demographic profile

Table 2.2 and Chart 2.1 detail the socio-demographic profile of the total trade area population based on data from the ABS 2016 Census of Population and Housing, compared with the metropolitan Melbourne and Australian averages. The key points to note regarding the main trade area include the following:

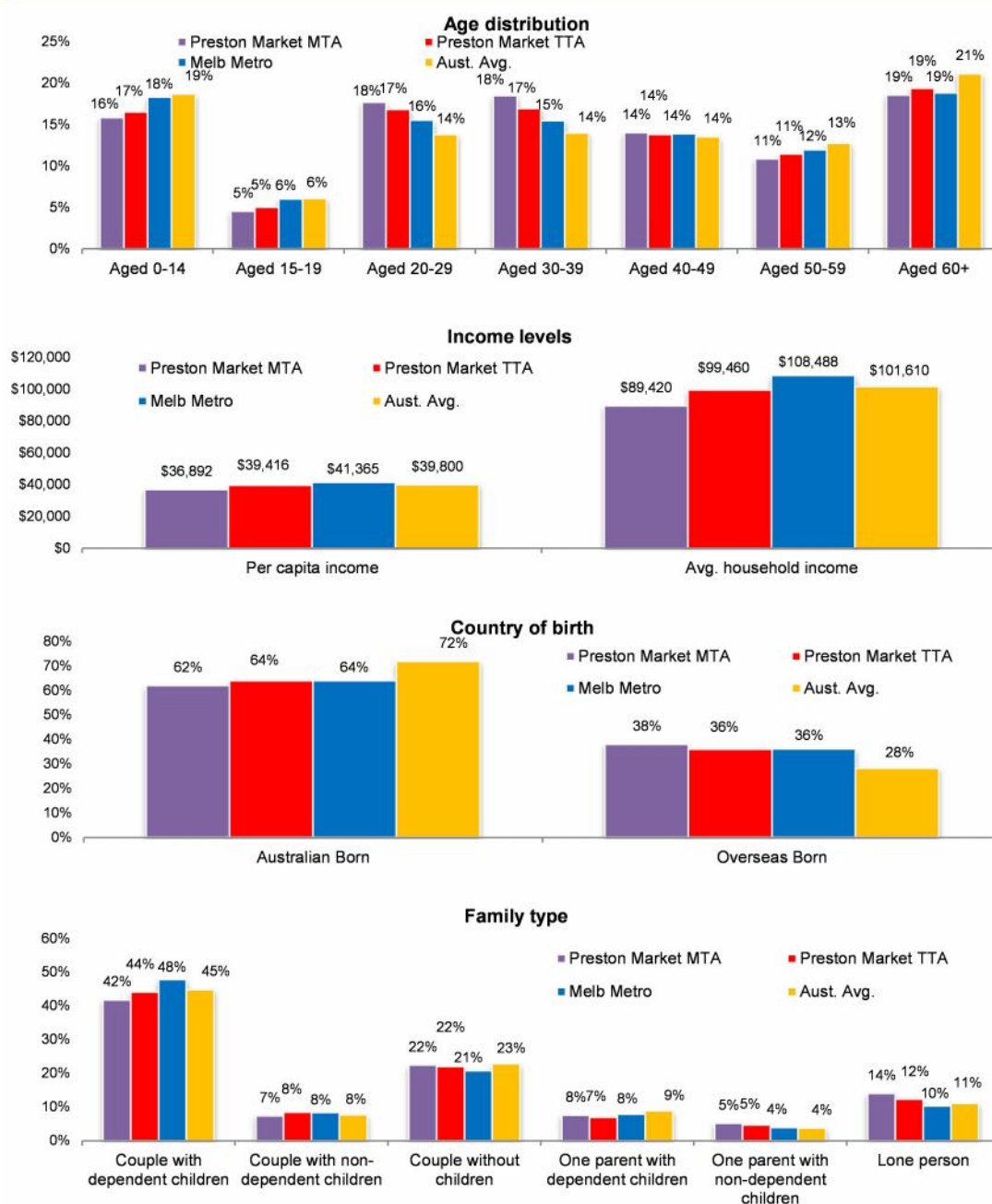
- Per capital and household income levels of main trade area residents are below the metropolitan Melbourne average.
- The average age of main trade area residents, at 38.2 years, is above the metropolitan Melbourne average. The average age of primary sector residents is in line with the metropolitan Melbourne average, however the age profile comprises a higher proportion of residents aged 20-49 years and a lower proportion of children and residents aged 50 years and above.
- The level of home ownership in the main trade area, at 58.4%, is significantly below the metropolitan Melbourne average of 68.5%, however it is worth noting that the proportion of households that are in the process of purchasing their home (i.e. with a mortgage) is comparable to the metropolitan Melbourne average.
- Australian born residents represent 62% of the main trade area population, which is slightly lower than the metropolitan Melbourne average of 63.9%, with a higher proportion of European born residents in the main trade area. Around 5% of residents in the main trade area were born in Italy.
- Traditional families (i.e. couples with dependent children) are the most prevalent household type in the main trade area, accounting for 41.7% of the population, which is below the metropolitan Melbourne average. There is an above average representation of couples without children and lone person households in the main trade area.

Table 2.2
Preston Market total trade area - socio-demographic profile, 2016

Census item	Primary sector	Secondary sectors	Main TA	Tertiary sectors	Total TA	Melb Metro avg.	Aust. avg.
Per capita income	\$37,161	\$36,825	\$36,892	\$40,508	\$39,416	\$41,365	\$39,800
<i>Var. from Melb Metro benchmark</i>	-10.2%	-11.0%	-10.8%	-2.1%	-4.7%		
Avg. household income	\$93,015	\$88,559	\$89,420	\$104,064	\$99,460	\$108,488	\$101,610
<i>Var. from Melb Metro benchmark</i>	-14.3%	-18.4%	-17.6%	-4.1%	-8.3%		
Avg. household size	2.5	2.4	2.4	2.6	2.5	2.6	2.6
<u>Age distribution (% of population)</u>							
Aged 0-14	17.3%	15.5%	15.8%	16.8%	16.5%	18.3%	18.7%
Aged 15-19	4.4%	4.6%	4.5%	5.2%	5.0%	6.0%	6.1%
Aged 20-29	16.2%	18.1%	17.7%	16.5%	16.8%	15.5%	13.8%
Aged 30-39	17.9%	18.6%	18.5%	16.3%	16.9%	15.5%	14.0%
Aged 40-49	15.6%	13.6%	14.0%	13.7%	13.8%	13.9%	13.5%
Aged 50-59	11.4%	10.7%	10.9%	11.7%	11.5%	12.0%	12.7%
Aged 60+	17.1%	18.9%	18.6%	19.7%	19.4%	18.8%	21.1%
Average age	37.5	38.4	38.2	38.4	38.4	37.6	38.6
<u>Housing status (% of households)</u>							
Owner (total)	<u>62.1%</u>	<u>57.5%</u>	<u>58.4%</u>	<u>67.1%</u>	<u>64.4%</u>	<u>68.5%</u>	<u>67.4%</u>
• Owner (outright)	32.2%	30.1%	30.5%	35.5%	33.9%	31.4%	31.9%
• Owner (with mortgage)	29.9%	27.4%	27.9%	31.6%	30.5%	37.1%	35.5%
Renter	37.6%	42.0%	41.1%	32.5%	35.2%	30.9%	31.8%
Other	0.3%	0.5%	0.4%	0.4%	0.4%	0.6%	0.8%
<u>Birthplace (% of population)</u>							
Australian born	63.6%	61.6%	62.0%	64.8%	64.0%	63.9%	71.9%
Overseas born	<u>36.4%</u>	<u>38.4%</u>	<u>38.0%</u>	<u>35.2%</u>	<u>36.0%</u>	<u>36.1%</u>	<u>28.1%</u>
• Asia	15.3%	15.1%	15.1%	13.1%	13.7%	17.3%	11.2%
• Europe	13.9%	14.4%	14.3%	14.1%	14.1%	11.0%	9.6%
• Other	7.2%	8.9%	8.5%	8.0%	8.2%	7.8%	7.4%
<u>Family type (% of households)</u>							
Couple with dep't children	45.3%	40.9%	41.7%	45.2%	44.1%	47.8%	44.8%
Couple with non-dep't child.	7.8%	7.2%	7.3%	8.9%	8.4%	8.3%	7.7%
Couple without children	20.8%	22.8%	22.4%	21.8%	22.0%	20.7%	22.8%
One parent with dep't child.	6.9%	7.7%	7.5%	6.6%	6.9%	7.8%	8.8%
One parent w non-dep't child.	4.9%	5.1%	5.1%	4.4%	4.6%	3.9%	3.7%
Other family	1.8%	2.0%	2.0%	1.5%	1.7%	1.3%	1.1%
Lone person	12.6%	14.3%	14.0%	11.5%	12.3%	10.2%	11.0%

Source: ABS Census of Population & Housing, 2016; MacroPlan Dimasi

Chart 2.1
Preston Market main trade area - socio-demographic profile, 2016



Source: ABS Census of Population & Housing, 2016; MacroPlan Dimasi

2.4 Retail expenditure

The estimated retail expenditure capacity of the main trade area population is sourced from MarketInfo, which is developed by Market Data Systems (MDS) and utilises a detailed micro simulation model of household expenditure behaviour for all residents of Australia. The model takes into account information from a wide variety of sources including the regular ABS Household Expenditure Surveys, national accounts data, Census data and other information. The MarketInfo estimates for spending behaviour prepared independently by MDS are used by a majority of retail/property consultants.

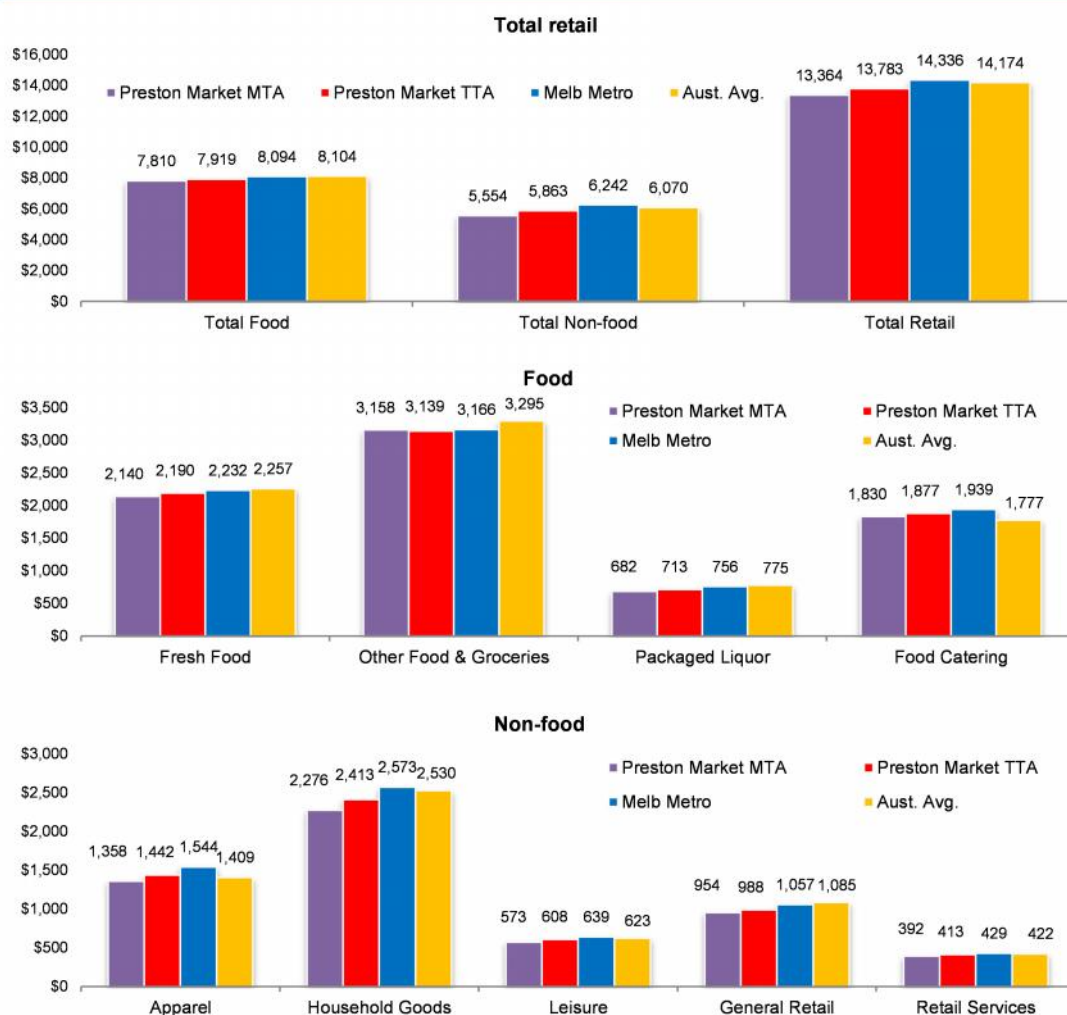
Total retail expenditure is allocated in a number of categories, as follows:

- **Take-home food and groceries** – goods typically sold in supermarkets and specialty fresh food stores.
- **Packaged liquor** – liquor purchased at bottle-shops to take home.
- **Food catering** – cafes, take-away outlets and restaurants.
- **Apparel** – clothing, footwear, fashion and accessories.
- **Household goods** – giftware, electrical, computers, furniture and homewares.
- **Leisure** – newsagents, sporting goods, music, DVDs, games and books.
- **General retail** – pharmaceutical goods, cosmetics, toys, florists and mobile phones.
- **Retail services** – key cutting, shoe repairs, hair and beauty.

Chart 2.2 shows the retail expenditure capacity per capita for the trade area population for 2017/18, and compares the estimates with the average for metropolitan Melbourne and Australia. Total retail expenditure per capita is estimated to be 6.8% below the metropolitan Melbourne average. All spending estimates in this report are inclusive of GST.

While trade area retail expenditure per capita is estimated at below the metropolitan Melbourne average, it is expected that with increased property prices and gentrification in the inner northern suburbs this gap will reduce in the future, and expenditure per capita is expected to increase above the Melbourne average in the medium term.

Chart 2.2
Preston Market trade area - retail expenditure per person, 2017/18*



*Including GST

Source: MarketInfo; MacroPlan Dimasi

Table 2.3 details the estimated total retail spending generated by the trade area population over the period from 2018 to 2031, by trade area sector. The retail expenditure capacity of the main trade area population is forecast to increase from \$2.1 billion at 2018 to \$3 billion at 2031, representing an average annual growth rate of 2.8%, while the retail expenditure capacity of the total trade area population is forecast to increase from \$7.2 billion at 2018 to \$9.8 billion at 2031, representing an average annual growth rate of 2.4%. All spending figures in this report are presented in constant 2017/18 dollars, i.e. excluding retail inflation.

The average annual growth rate for the main trade area generated over the forecast period consists of the following elements:

- Average population growth of 1.8% per annum; and
- Real growth in per capita retail expenditure of 0.9%.

Table 2.4 details the retail expenditure capacity of the main trade area population by broad retail category over the forecast period, including the category definitions. Food catering accounts for around 14% of total expenditure and is the fastest growing retail category, projected to increase from \$290 million at 2018 to \$446 million at 2031, representing average annual growth of 3.4%. FLG accounts for around 45% of total expenditure, while spending on non-food items accounts for 42% of total expenditure.

Table 2.5 details the same information for the total trade area.

Table 2.3 Preston Market trade area - retail expenditure (\$M), 2018-2031*						
Trade area	Forecast retail spend (\$M)				Avg. ann. growth	
	2018	2021	2026	2031	(\$M)	(%)
Primary	423	471	564	665	19	3.5%
Secondary sectors						
• North	492	532	604	681	15	2.5%
• East	388	421	481	545	12	2.7%
• South	555	603	687	779	17	2.6%
• West	<u>260</u>	<u>281</u>	<u>317</u>	<u>355</u>	<u>7</u>	<u>2.4%</u>
Total secondary	1,695	1,837	2,089	2,361	51	2.6%
Main trade area	2,118	2,307	2,652	3,026	70	2.8%
Tertiary sectors						
• North	1,105	1,160	1,253	1,352	19	1.6%
• Nth-east	1,037	1,088	1,177	1,273	18	1.6%
• Sth-east	518	563	633	709	15	2.4%
• South	583	639	723	812	18	2.6%
• Sth-west	1,164	1,289	1,454	1,624	35	2.6%
• Nth-west	<u>691</u>	<u>763</u>	<u>868</u>	<u>978</u>	<u>22</u>	<u>2.7%</u>
Total tertiary	5,098	5,501	6,107	6,747	127	2.2%
Total trade area	7,216	7,809	8,760	9,773	197	2.4%
*Constant 2017/18 dollars & including GST Source: MarketInfo; MacroPlan Dimasi						

Table 2.4
Preston Market main trade area - retail expenditure by category (\$M), 2018-2031*

Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2018	948	290	215	361	91	151	62	2,118
2019	976	300	221	371	93	155	64	2,179
2020	1,005	311	226	381	95	159	66	2,243
2021	1,035	321	232	391	98	163	68	2,307
2022	1,065	333	237	402	100	167	70	2,374
2023	1,097	344	243	412	103	171	72	2,442
2024	1,129	356	249	423	105	175	74	2,511
2025	1,161	368	255	434	108	179	76	2,581
2026	1,194	380	261	446	110	183	78	2,652
2027	1,228	393	267	457	113	187	81	2,725
2028	1,262	406	273	469	115	192	83	2,798
2029	1,296	419	279	480	118	196	85	2,873
2030	1,332	432	285	492	120	200	87	2,949
2031	1,367	446	291	504	123	205	90	3,026
<u>Average annual growth (\$M)</u>								
2018-2031	32.3	12.0	5.8	11.0	2.5	4.1	2.1	69.9
<u>Average annual growth (%)</u>								
2018-2031	2.9%	3.4%	2.4%	2.6%	2.4%	2.4%	2.9%	2.8%
*Constant 2017/18 dollars & including GST Source: MarketInfo; MacroPlan Dimasi								

Retail expenditure category definitions:

- FLG: take-home food and groceries, as well as packaged liquor.
- Food catering: expenditure at cafes, take-away food outlets and restaurants.
- Apparel: clothing, footwear, fashion accessories and jewellery.
- Household goods: giftware, electrical, computers, furniture, homewares and hardware goods.
- Leisure: sporting goods, music, DVDs, computer games, books, newspapers & magazines, stationery and photography equipment.
- General retail: pharmaceutical goods, cosmetics, toys, florists, mobile phones and pets.
- Retail services: hair & beauty, optical goods, dry cleaning, key cutting and shoe repairs.

Table 2.5
Preston Market total trade area - retail expenditure by category (\$M), 2018-2031*

Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2018	3,163	983	755	1,263	318	517	216	7,216
2019	3,251	1,016	772	1,295	326	529	222	7,410
2020	3,340	1,049	789	1,328	333	541	228	7,608
2021	3,430	1,083	807	1,361	340	553	235	7,809
2022	3,517	1,117	824	1,392	347	564	241	8,002
2023	3,601	1,149	839	1,422	354	575	247	8,187
2024	3,687	1,183	855	1,452	361	585	253	8,375
2025	3,774	1,217	871	1,483	367	596	259	8,566
2026	3,862	1,251	887	1,513	374	607	265	8,760
2027	3,952	1,287	903	1,545	381	618	271	8,956
2028	4,043	1,323	919	1,577	388	629	277	9,156
2029	4,135	1,361	936	1,609	395	641	283	9,359
2030	4,229	1,399	952	1,641	402	652	290	9,564
2031	4,324	1,437	969	1,674	409	663	297	9,773
<u>Average annual growth (\$M)</u>								
2018-2031	89.3	35.0	16.5	31.6	7.0	11.2	6.2	196.7
<u>Average annual growth (%)</u>								
2018-2031	2.4%	3.0%	1.9%	2.2%	1.9%	1.9%	2.5%	2.4%

*Constant 2017/18 dollars & including GST
Source: MarketInfo; MacroPlan Dimasi

2.5 Worker market

In addition to residents, workers in the immediate surrounding area to Preston Market are also relevant to the proposed development.

Preston Market is expected to mostly serve workers from within a 10 minute or less walking time from the subject site, which generally encompasses the Preston-High Street Activity Centre. The workforce population within the defined worker catchment is estimated at around 5,900 workers, based on the 2016 ABS Worker Population Profile.

Workers generally spend money on catered food and drink during lunchtime and on other retail uses before and after work, and would be particularly drawn to the food and beverage uses proposed at Preston Market development.

Table 2.6 and Chart 2.3 present the socio-demographic profile of the worker population, compared with the average for metropolitan Melbourne. The key points to note regarding the local workforce include:

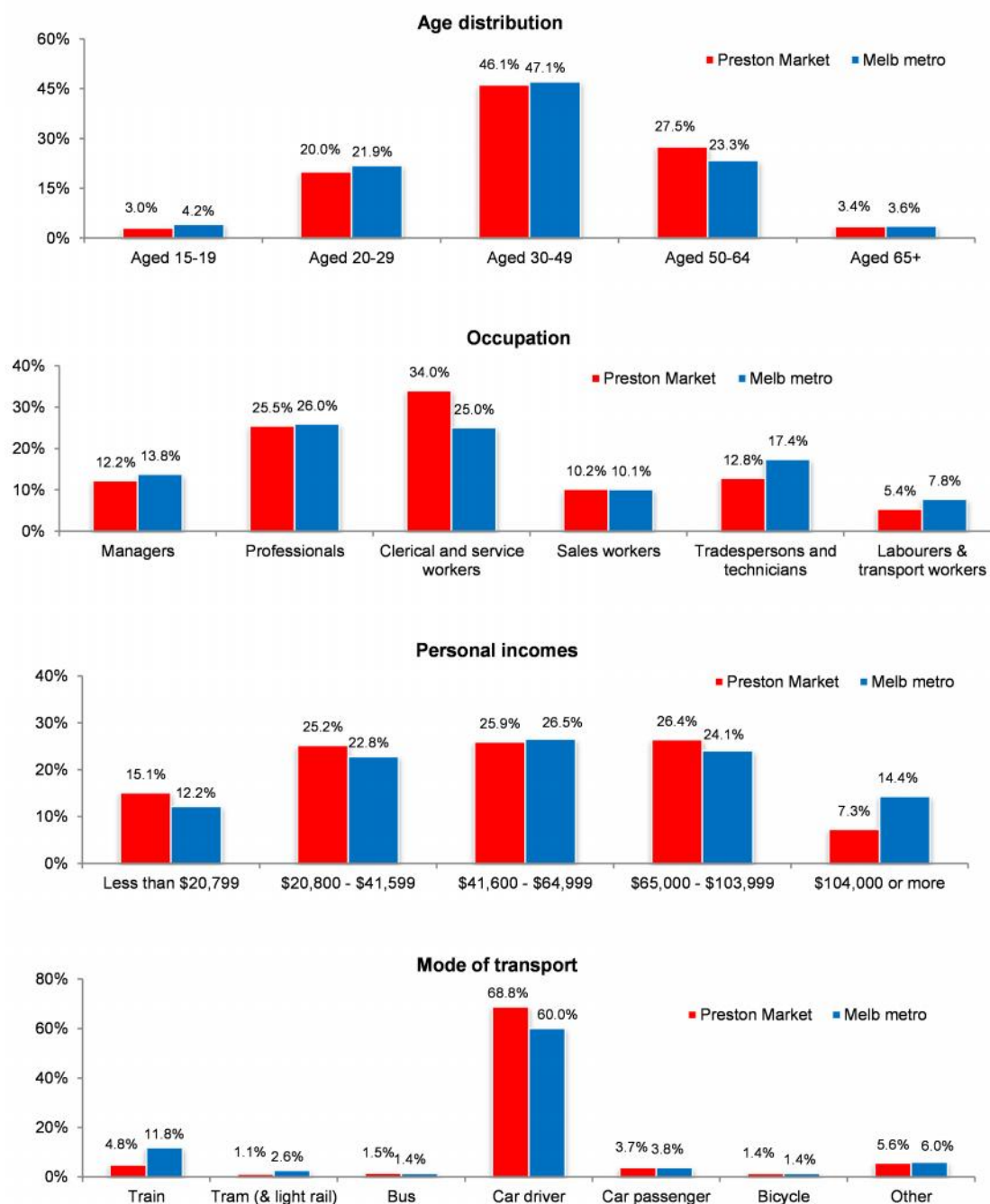
- The average age of workers in the catchment is slightly higher than the metropolitan Melbourne average, with a higher than average proportion of workers aged 50-64 years.
- In terms of occupation, the workforce population is skewed towards clerical and service workers.
- Workers in the catchment possess a lower than average earning power.
- The far majority of workers travel to work by car, with a lower than average proportion of workers catching public transport to work. It is expected that the planned sky rail development and upgrade to Preston Station will see increased train patronage in the area, which will support more movement through the Preston Market precinct and increase the attractiveness of retail and office facilities within the precinct.
- The key industries of employment in the catchment are Public Administration & Safety, Health Care & Social Assistance, Education & Training and Retail Trade.

Table 2.6
Preston Market worker catchment profile, 2016

Characteristics	Worker profile (within 10 min walk of centre)	Melb metro avg.
<u>Gender</u>		
Male	44.3%	51.9%
Female	55.7%	48.1%
<u>Age distribution</u>		
Aged 15-19	3.0%	4.2%
Aged 20-29	20.0%	21.9%
Aged 30-49	46.1%	47.1%
Aged 50-64	27.5%	23.3%
Aged 65+	3.4%	3.6%
Average age	41.5	40.1
<u>Occupation</u>		
Managers	12.2%	13.8%
Professionals	25.5%	26.0%
Clerical and service workers	34.0%	25.0%
Sales workers	10.2%	10.1%
Tradespersons and technicians	12.8%	17.4%
Labourers & transport workers	5.4%	7.8%
<u>Personal income</u>		
Less than \$20,799	15.1%	12.2%
\$20,800 - \$41,599	25.2%	22.8%
\$41,600 - \$64,999	25.9%	26.5%
\$65,000 - \$103,999	26.4%	24.1%
\$104,000 or more	7.3%	14.4%
Average income	57,730	69,526
<u>Mode of transport</u>		
Train	4.8%	11.8%
Tram (& light rail)	1.1%	2.6%
Bus	1.5%	1.4%
Car driver	68.8%	60.0%
Car passenger	3.7%	3.8%
Bicycle	1.4%	1.4%
Other	5.6%	6.0%
Non travel	13.0%	13.0%
<u>Industry of employment (top 5 within TA)</u>		
Public administration and safety	20.3%	5.5%
Health care and social assistance	16.4%	12.7%
Education and training	14.1%	9.3%
Retail trade	12.7%	10.9%
Accommodation and food services	7.4%	7.0%

Source: ABS Worker Population Profile 2016, MacroPlan Dimasi

Chart 2.3
Preston Market worker catchment profile, 2016



Source: ABS Worker Population Profile 2016, MacroPlan Dimasi

Section 3: Competitive context

This section of the report provides an overview of the composition of nearby High Street, as well as the range of other shopping precincts in the surrounding region, including existing and planned developments of relevance.

3.1 High Street Activity Centre

The High Street Activity Centre extends along High Street Preston from Bell Street in the south to Youngman Street in the north, and includes Preston Market, two major supermarket brands – Woolworths and Aldi (located at Preston Market) – and a range of street based shopfronts.

Table 3.1 details the number of tenancies within the High Street Activity Centre, excluding Preston Market, based on an audit undertaken by MacroPlan in December 2018, with Table 3.2 providing the floorspace composition. We have defined four broad precincts within the activity centre, namely Youngman Street to Murray Road, Murray Road to Cramer Street, Cramer Street to David Street and David Street to Bell Street.

Based on the audit, we estimate that the High Street Activity Centre comprises around 135 occupied retail tenancies over 15,600 sq.m of floorspace, as well as around 94 occupied non-retail floorspace tenancies over almost 11,000 sq.m of floorspace, excluding Preston Market.

Food makes up the largest proportion of retail floorspace within the activity centre, accounting for around 36% of occupied floorspace. The majority of this floorspace is concentrated north of Cramer Street, with a large range of Asian restaurants located along High Street in this area.

We estimate that there are around 20 vacancies across 2,400 sq.m of floorspace within the activity centre, which represents 8.4% of total floorspace. While this vacancy rate is towards the higher end of what is typical observed for street based activity centres, we note that the majority of these vacancies are located at the southern extent of the activity centre, more specifically around Bell Street, and it is likely that some of the larger tenancies will be converted to residential or other uses in the future.

Table 3.1 High Street, Preston - composition (sq.m)					
Category	Youngman St - Murray Rd (sq.m)	Murray Rd - Cramer St (sq.m)	Cramer St - David St (sq.m)	David St - Bell St (sq.m)	Total High St (sq.m)
<u>FLG</u>					
Supermarket	1	0	0	0	1
Foodstore	1	3	4	1	9
Fresh food	0	6	1	1	8
Liquor	0	0	1	0	1
Total FLG	2	9	6	2	19
<u>Food catering</u>					
Café	3	3	4	3	13
Restaurant	4	15	5	1	25
• Chinese	0	9	0	0	9
• Indian	0	1	1	0	2
• Italian	2	0	1	0	3
• Japanese	1	0	0	0	1
• Middle Eastern	0	0	1	1	2
• South American	0	0	1	0	1
• Thai	0	1	1	0	2
• Vietnamese	1	4	0	0	5
Take-away	2	3	2	1	8
Total food catering	9	21	11	5	46
<u>Apparel</u>					
Womens	0	1	0	0	1
Accessories	0	1	1	0	2
Jewellery	1	0	1	0	2
Footwear	0	1	0	0	1
Total apparel	1	3	2	0	6
<u>Household goods</u>					
Homewares/furniture	2	1	3	1	7
Electrical/computers	1	0	1	0	2
Giftware	0	0	1	1	2
Total household goods	3	1	5	2	11
<u>Leisure</u>					
Newsagent/music/books	2	1	1	1	5
Sporting	1	0	0	0	1
Total leisure	3	1	1	1	6
<u>General</u>					
Pharmacy	1	3	0	0	4
Discount variety	0	2	0	0	2
Florist/pet shop/tobacconist/other	0	2	1	1	4
Mobile	0	1	0	0	1
Total general	1	8	1	1	11
<u>Retail services</u>					
Hair/beauty	4	7	8	4	23
Optometrist	0	3	1	0	4
Dry cleaner	0	1	1	0	2
Repairs	1	4	1	1	7
Total retail services	5	15	11	5	36
Total retail	24	58	37	16	135
Source: MacroPlan Dimasi					

Table 3.1 cont					
High Street, Preston - composition (sq.m)					
Category	Youngman St - Murray Rd (sq.m)	Murray Rd - Cramer St (sq.m)	Cramer St - David St (sq.m)	David St - Bell St (sq.m)	Total High St (sq.m)
<u>Non-retail</u>					
Australia Post	0	1	0	0	1
Auto	3	0	0	2	5
Bank	1	5	1	0	7
Childcare	0	0	1	1	2
Entertainment	2	0	1	0	3
Fitness	1	0	0	1	2
International post	5	3	2	1	11
Massage	1	1	5	1	8
Medical	0	3	4	1	8
Office	2	2	5	1	10
Petrol station	1	0	0	0	1
Real estate	2	0	4	1	7
Second hand goods	0	1	2	1	4
Services	6	2	4	8	20
Trade supplies	3	0	1	0	4
Travel agent	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total non-retail	27	18	31	18	94
Vacancy	<u>1</u>	<u>3</u>	<u>9</u>	<u>7</u>	<u>20</u>
Total High Street	52	79	77	41	249
Source: MacroPlan Dimasi					

Table 3.2 High Street, Preston - composition (sq.m)					
Category	Youngman St - Murray Rd (sq.m)	Murray Rd - Cramer St (sq.m)	Cramer St - David St (sq.m)	David St - Bell St (sq.m)	Total High St (sq.m)
<u>FLG</u>					
Supermarket	3,900	0	0	0	3,900
Foodstore	80	350	360	150	940
Fresh food	0	360	80	100	540
Liquor	0	0	100	0	100
Total FLG	3,980	710	540	250	5,480
<u>Food catering</u>					
Café	280	330	280	200	1,090
Restaurant	480	1,220	450	100	2,250
• Chinese	0	760	0	0	760
• Indian	0	60	60	0	120
• Italian	200	0	60	0	260
• Japanese	80	0	0	0	80
• Middle Eastern	0	0	150	100	250
• South American	0	0	100	0	100
• Thai	0	80	80	0	160
• Vietnamese	200	320	0	0	520
Take-away	140	200	140	200	680
Total food catering	900	1,750	870	500	4,020
<u>Apparel</u>					
Womens	0	60	0	0	60
Accessories	0	60	80	0	140
Jewellery	60	0	80	0	140
Footwear	0	60	0	0	60
Total apparel	60	180	160	0	400
<u>Household goods</u>					
Homewares/furniture	350	80	270	200	900
Electrical/computers	80	0	60	0	140
Giftware	0	0	100	150	250
Total household goods	430	80	430	350	1,290
<u>Leisure</u>					
Newsagent/music/books	160	60	80	60	360
Sporting	350	0	0	0	350
Total leisure	510	60	80	60	710
<u>General</u>					
Pharmacy	200	360	0	0	560
Discount variety	0	350	0	0	350
Florist/pet shop/tobacconist/other	0	120	100	80	300
Mobile	0	80	0	0	80
Total general	200	910	100	80	1,290
<u>Retail services</u>					
Hair/beauty	260	460	520	280	1,520
Optometrist	0	200	80	0	280
Dry cleaner	0	60	60	0	120
Repairs	60	280	60	60	460
Total retail services	320	1,000	720	340	2,380
Total retail	6,400	4,690	2,900	1,580	15,570
Source: MacroPlan Dimasi					

Table 3.2 cont					
High Street, Preston - composition (sq.m)					
Category	Youngman St - Murray Rd (sq.m)	Murray Rd - Cramer St (sq.m)	Cramer St - David St (sq.m)	David St - Bell St (sq.m)	Total High St (sq.m)
<u>Non-retail</u>					
Australia Post	0	150	0	0	150
Auto	800	0	0	350	1,150
Bank	80	580	100	0	760
Childcare	0	0	100	100	200
Entertainment	280	0	600	0	880
Fitness	100	0	0	500	600
International post	460	260	160	60	940
Massage	60	80	320	80	540
Medical	0	290	380	60	730
Office	120	180	360	100	760
Petrol station	200	0	0	0	200
Real estate	230	0	300	60	590
Second hand goods	0	150	210	300	660
Services	880	160	390	940	2,370
Trade supplies	220	0	80	0	300
Travel agent	<u>0</u>	<u>0</u>	<u>60</u>	<u>0</u>	<u>60</u>
Total non-retail	3,430	1,850	3,060	2,550	10,890
Vacancy	<u>60</u>	<u>400</u>	<u>800</u>	<u>1,170</u>	<u>2,430</u>
Total High Street	9,490	6,940	6,760	5,300	28,490
Source: MacroPlan Dimasi					

3.2 Traditional retail competition

Table 3.3 details the main retail facilities in the surrounding area, while the previous Maps 2.1 and 2.2 illustrate their locations.

Table 3.3 Preston Market - schedule of major retail facilities			
Centre	Retail GLA (sq.m)	Major traders	Dist. by road from Preston Market (km)
Regional centres			
Northland SC	93,000	Myer, Kmart, Target, Coles, Woolworths, Aldi	2.4
Sub regional centres			
Summerhill SC	16,500	Kmart, Coles, Aldi	3.2
Northcote Plaza	19,600	Kmart, Coles (x2)	3.2
Barkly Square	17,100	Kmart, Coles, Woolworths	6.7
Neighbourhood centres			
Preston	30,000	Woolworths, Aldi	-
South Preston SC	6,500	Woolworths, Aldi	1.6
Thornbury	6,500	IGA, Independent	2.1
Coburg Hill SC	3,800	Woolworths	2.4
Reservoir	9,000	Coles, Supa IGA	2.9
Coburg	30,000	Woolworths, Coles (x2)	3.6
Polaris Town Centre	7,000	Woolworths	5.4
Large format retail centres			
Bell Street Homemaker	55,000	Bunnings, JB Hi-Fi, Officeworks, Spotlight	2.2
Northland Homemaker Centre	45,000	Harvey Norman, JB Hi-Fi, Rebel, Repco	2.4
Lincoln Mills Homemaker	24,000	Bunnings, BCF, Officeworks, Petbarn	5.0
Thomastown Homemaker Centre	25,000	Harvey Norman, JB Hi-Fi, Fantastic Furniture	6.3
Future retail facilities			
Pentridge Coburg	6,000	Supermarket	3.4
Aldi Coburg North	1,800	Aldi	5.0
Source: Property Council of Australia; MacroPlan Dimasi			

The main regional shopping centre serving this part of Melbourne is Northland SC, which is located approximately 2.4 km east of the Preston Market site. Northland SC includes a broad range of retail and non-retail facilities, being anchored by a Myer department store, Kmart

and Target discount department stores (dds) and Coles, Woolworths and Aldi supermarkets, and serves a broad region of northern Melbourne.

There are two sub-regional centres located around 3 km from Preston Market, including Summerhill SC to the north-east, which is anchored by a Kmart dds and Coles and Aldi supermarkets; and Northcote Plaza to the south, which is anchored by a Kmart dds and two Coles supermarkets.

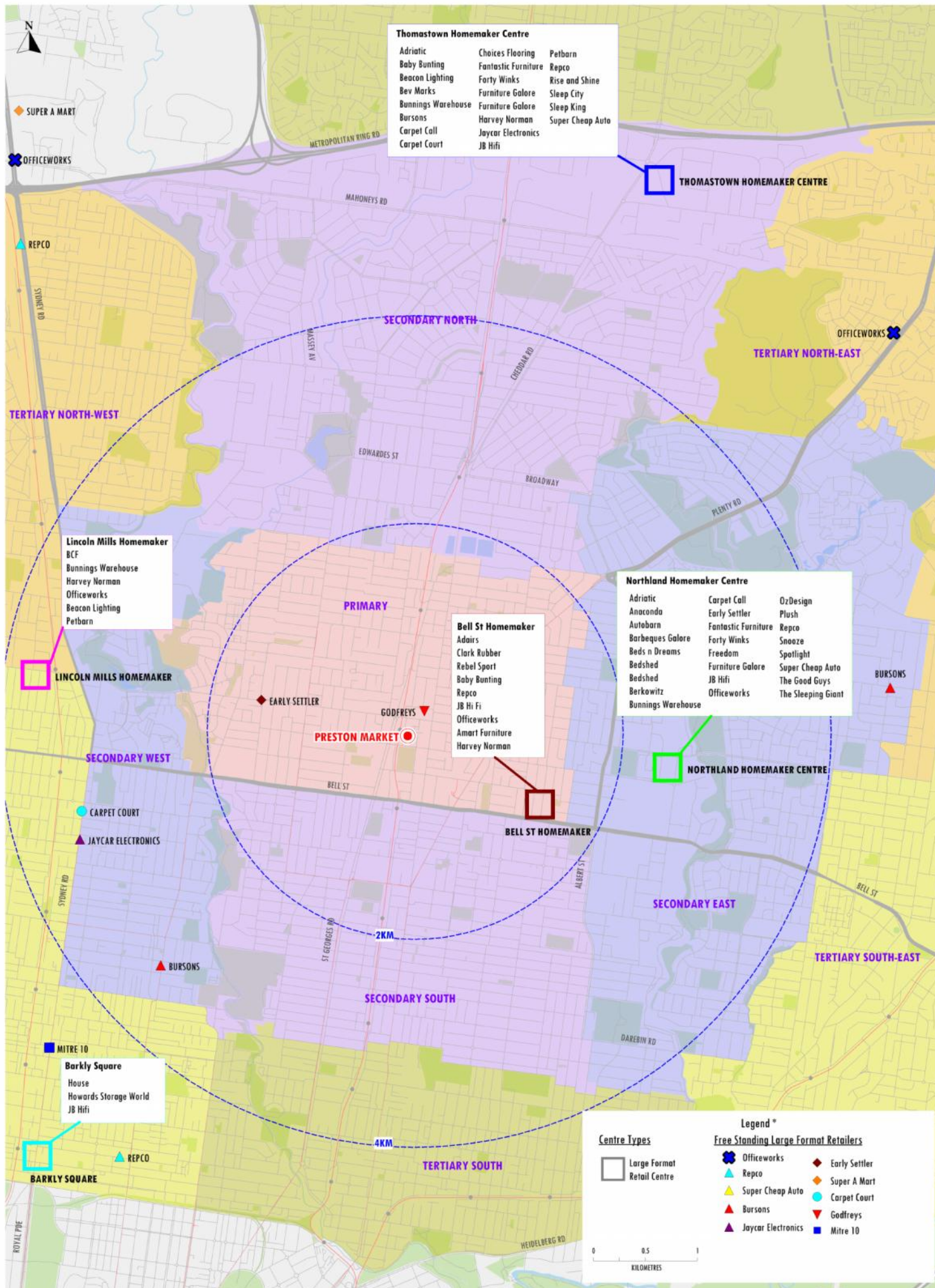
There are also a range of neighbourhood centres located in the surrounding area, including at South Preston, Thornbury, Coburg Hills Reservoir, Coburg and Polaris, which typically comprise one to two supermarkets and a range of supporting specialty retailing. The Coburg Activity Centre provides a large concentration of street based retail facilities, including three supermarkets, as well as a range of other non-retail facilities and services.

In terms of future competition, a mixed use development is underway at the former Pentridge Prison, located to the west of Preston Market. Along with a major residential component, the development is planned to feature a shopping centre with a supermarket anchor and a range of specialty stores and cafés, bars and restaurants, as well as a 15 screen Palace Cinema complex and a hotel.

3.3 Large format retail

Map 3.1 illustrates the locations and compositions of large format retail facilities in the surrounding area, with the major homemaker centres located at Northland and Bell Street to the east of Preston Market, Lincoln Mills in Coburg North to the west and Thomastown to the north-east.

Each of these centres comprise a range of large format retail tenancies, including national brands such as Bunnings Warehouse, Harvey Norman, BCF, JB Hi-Fi, Beacon Lighting, Fantastic Furniture, Repco and Super Cheap Auto.



Map 3.1: Preston Market

Main trade area and large format retail facilities

Section 4: Retail floorspace demand

This section of the report details the expected demand for retail floorspace at the subject site. Modelling retail demand for a given area or centre is imprecise and depends on a range of factors. Therefore, the floorspace demand analysis presented in this section should be viewed as only indicative.

Table 4.1 details the total estimated amount of retail floorspace demand by residents in the defined main trade area. This demand is catered for by retail facilities provided throughout the broad surrounding region, within and beyond the trade area, including Northland and the Melbourne CBD.

The floorspace figures in Table 4.1 are calculated by applying an average Retail Turnover Density (RTD) to the estimated available retail sales volume by category. The RTD is simply the level of sales per sq.m which retailers in each category typically achieve. Adopted RTD levels are the highest for retailers in FLG (including supermarkets), at \$9,000 per sq.m, and average around \$6,400 per sq.m for total retail.

The figures illustrate that the retail floorspace demand of trade area residents is expected to increase strongly over the forecast period, with almost an additional 100,000 sq.m of retail floorspace demand estimated by 2031. A proportion of this increase will come from new residents within the apartments proposed at the subject site, and future retail facilities at Preston Market will be well placed to serve some of the increasing demand for retail floorspace by trade area residents.

Table 4.1 Preston Market main trade area - Estimated retail floorspace demand (sq.m), 2018-2031										
Year ending June	FLG	Food catering	Total food	Apparel	H'hold goods	Leisure	General retail	Retail services	Total non-food	Total retail
2018	105,290	44,620	149,910	47,830	84,880	15,140	21,590	13,810	183,250	333,160
2019	107,560	45,810	153,370	48,620	86,500	15,390	21,950	14,110	186,570	339,940
2020	109,910	47,040	156,950	49,440	88,170	15,650	22,320	14,420	190,000	346,950
2021	112,270	48,280	160,550	50,250	89,840	15,910	22,690	14,730	193,420	353,970
2022	114,670	49,560	164,230	51,070	91,530	16,170	23,060	15,040	196,870	361,100
2023	117,110	50,860	167,970	51,900	93,250	16,430	23,430	15,360	200,370	368,340
2024	119,560	52,180	171,740	52,720	94,960	16,690	23,810	15,680	203,860	375,600
2025	122,020	53,520	175,540	53,540	96,680	16,950	24,180	16,010	207,360	382,900
2026	124,490	54,870	179,360	54,350	98,390	17,210	24,550	16,330	210,830	390,190
2027	126,970	56,240	183,210	55,160	100,100	17,460	24,910	16,650	214,280	397,490
2028	129,460	57,620	187,080	55,960	101,810	17,720	25,280	16,980	217,750	404,830
2029	131,960	59,030	190,990	56,750	103,520	17,970	25,640	17,310	221,190	412,180
2030	134,470	60,440	194,910	57,550	105,220	18,220	26,000	17,640	224,630	419,540
2031	136,990	61,880	198,870	58,330	106,930	18,470	26,350	17,970	228,050	426,920
RTD*	9,000	6,500	8,300	4,500	4,250	6,000	7,000	4,500	4,800	6,400
*Retail Turnover Density - Turnover (\$) per sq.m in 2018, growth assumed at 0.8% p.a Source: MarketInfo; MacroPlan Dimasi										

Table 4.2 outlines the indicative amount of retail floorspace estimated to be supportable within the Preston Activity Centre over the forecast period, assuming that Preston Market is redeveloped. The mixed use development proposed at the subject site is planned to include Coles and Aldi supermarkets, a food and beverage precinct, a range of retail specialties, a redeveloped fresh food market and a cinema, as well as a number of other community and commercial uses.

This type of development would serve the needs of surrounding residents and has the potential to retain a moderate proportion of the fresh food, take-home liquor and grocery (FLG) spending of these residents, while it would retain lower proportions of the other retail categories. The majority of non-food expenditure of trade area residents is expected to continue to be directed to higher-order facilities in the surrounding area, such as Northland SC and the Melbourne CBD.

The expected retention rates by retail category in the primary sector are estimated to be around 35% of FLG expenditure and retail services, 25% for food catering, 20% for leisure, 15% for general retail, 10% for household goods and 5% for apparel. These retention rates take into account the existing provision of retail facilities in the surrounding area. In other words, primary sector residents are estimated to direct 35% of their FLG spend to the activity centre, including future retail facilities at the Preston Market subject site and the adjacent Woolworths supermarket, with 65% of their FLG spend expected to be directed to other retail facilities in the area. These retention rates will be lower in the secondary sectors, reflecting the additional shopping options available to these residents.

Across the total retail spectrum, the proportion of available retail expenditure expected to be retained by the Preston Activity Centre is estimated at 21% for the primary sector and 8.7% across the secondary sector (with an average of some 11.2% for the main trade area).

The analysis allows for some of the retail floorspace demand to be generated by residents living beyond the defined main trade area (i.e. workers from beyond the trade area and those travelling from beyond for the market facilities). We have allowed for 20% of the demand for retail floorspace to come from beyond the trade area, given the lack of market facilities in the surrounding area and the draw of the Preston Activity Centre.

As an example, in 2021 the total FLG floorspace demand by all main trade area residents is estimated at around 112,300 sq.m (refer Table 4.1). We expect that the Preston Activity Centre can retain some 17% of the FLG expenditure of trade area residents (refer Table 4.2), and allowing for around 20% of sales to come from beyond the trade area, the resultant indicative supportable amount of FLG floorspace within the activity centre is estimated at 23,000 sq.m in 2021. This level of retention is based on the draw of the market and the broader activity centre and is considered reasonable to ensure that future retail facilities at the subject site would not have an undue impact on surrounding retail facilities.

This analysis is based on providing 2,500 apartments on site, which is considered the base case scenario. If additional apartments can be accommodated on site, this will result in an increase in the demand for retail floorspace, which is explored further following Table 4.2.

Table 4.2 also details the existing retail floorspace supply within the Preston Activity Centre, excluding the Preston Market, which was detailed in Section 3.1, in order to estimate the floorspace gap within the activity centre. This analysis indicates that an additional 32,000 sq.m of retail floorspace is supportable within the Preston Activity Centre by 2021, including 17,600 sq.m of FLG floorspace (i.e. supermarkets, fresh food stores/market facilities and liquor outlets), which could be provided at the Preston Market development site. By 2026, an additional 37,700 sq.m of retail floorspace is considered supportable within the Preston Activity Centre.

Table 4.2 Preston Market - estimated Preston Activity Centre floorspace gap by category (sq.m), 2021-2031										
Year ending June	FLG	Food catering	Total food	Apparel	H'hold goods	Leisure	General retail	Retail services	Total non-food	Total retail
<u>% retail expenditure retained within Preston AC</u>										
Primary	35.0%	25.0%	32.0%	5.0%	10.0%	20.0%	15.0%	35.0%	12.0%	21.1%
Secondary	<u>12.5%</u>	<u>12.5%</u>	<u>12.5%</u>	<u>3.0%</u>	<u>4.0%</u>	<u>12.5%</u>	<u>7.5%</u>	<u>12.5%</u>	<u>5.5%</u>	<u>8.7%</u>
Main TA	17.1%	15.0%	16.5%	3.4%	5.2%	14.0%	9.1%	17.0%	6.8%	11.2%
2021	23,060	8,710	31,770	2,050	5,630	2,680	2,470	3,010	15,840	47,610
2022	23,600	8,950	32,550	2,090	5,740	2,720	2,510	3,080	16,140	48,690
2023	24,160	9,200	33,360	2,130	5,860	2,770	2,560	3,150	16,470	49,830
2024	24,720	9,450	34,170	2,160	5,980	2,820	2,600	3,230	16,790	50,960
2025	25,290	9,710	35,000	2,200	6,100	2,860	2,640	3,300	17,100	52,100
2026	25,850	9,960	35,810	2,230	6,220	2,910	2,690	3,370	17,420	53,230
2027	26,420	10,230	36,650	2,270	6,340	2,950	2,730	3,450	17,740	54,390
2028	26,990	10,490	37,480	2,300	6,460	3,000	2,770	3,520	18,050	55,530
2029	27,560	10,760	38,320	2,340	6,580	3,040	2,820	3,600	18,380	56,700
2030	28,140	11,030	39,170	2,370	6,700	3,090	2,860	3,670	18,690	57,860
2031	28,710	11,300	40,010	2,410	6,820	3,130	2,900	3,750	19,010	59,020
<u>Estimated retail floorspace supply</u>										
Preston AC*	5,480	4,020	9,500	400	1,290	710	1,290	2,380	6,070	15,570
<u>Estimated floorspace gap within Preston AC</u>										
2021	17,580	4,690	22,270	1,650	4,340	1,970	1,180	630	9,770	32,040
2026	20,370	5,940	26,310	1,830	4,930	2,200	1,400	990	11,350	37,660
*Based on a floorspace survey conducted by MacroPlan in December 2018, excluding Preston Market Source: MarketInfo; MacroPlan Dimasi										

The above analysis is the base case scenario, assuming 2,500 apartments are provided on site. Should the quantum of apartments increase to say 4,000, this will reflect an increase in the retail floorspace demand.

The demand analysis was repeated based on the accommodating 4,000 apartments on site, with these residents assumed to move in between 2021 and 2026. The sensitivity testing reveals that at 2026 the main trade area total retail floorspace demand for the Preston Activity Centre is estimated at around 54,300 sq.m, allowing for 4,000 apartments to be developed at the subject site, which is an increase of around 1,000 sq.m above the base case scenario, with the total retail floorspace demand estimated at 53,200 sq.m at that time.

The total retail floorspace gap within the Preston Activity Centre is estimated at 38,800 sq.m under the higher development scenario, compared with 37,700 sq.m under the current development scenario.

Section 5: Case study analysis

This section of the report presents a case study analysis of some of the other major fresh food markets located in metropolitan Melbourne.

The primary objective of this comparative analysis is to provide insight into the composition of these markets, including both retail and non-retail uses, as well as noting the presence, observed performance and implications of surrounding supermarkets on the fresh food components of the markets.

The selected fresh food markets which we have analysed are as follows:

- South Melbourne Market – with Woolworths, Aldi and Coles supermarkets located in close proximity;
- Prahran Market – with an adjoining Aldi supermarket and Coles and Woolworths supermarkets located in close proximity; and
- Dandenong Market – with an adjoining Aldi supermarket and Coles (x2), Woolworths and Aldi supermarkets located in close proximity.

A key finding from this analysis is that all of the major supermarkets located in close proximity to the selected fresh food markets have been observed to be operating successfully, while the presence of the supermarkets do not appear to be having any negative impacts on the fresh food markets. The supermarkets have been in operation for a number of years and there is no evidence that their proximity to the fresh food markets has any implications on the viability of the markets. In fact, the supermarkets and fresh food markets appear to complement each other, creating major food and grocery precincts, which serve broad catchments and attract large numbers of customers. Each of the markets examined are located in successful retail precincts, and appear to be widely used by the community.

South Melbourne Market

South Melbourne Market is operated by the City of Port Phillip, and is open four days a week (Wednesday, Friday-Sunday). It is an indoor market with some 140 stalls provided over around 7,500 sq.m of GLA. The market offers a large range of fresh produce and general merchandise stalls, and also includes a large number of cafés, restaurants and food vans.

Approximately a third of the floorspace at South Melbourne Market is occupied by general merchandise retailers. The food catering offer at the market is particularly extensive, including a significant provision of street facing restaurants and cafés, which activate the precinct outside market trading hours. The extensive café/restaurant offer, with meal preparation as part of the theatre (paella, grilled seafood, gozleme made on the premises, and other offerings) adds to the appeal of the market and is arguably its greatest overall strength.

South Melbourne Central is located adjacent to South Melbourne Market, on the north-eastern corner of Cecil Street and York Street, and is anchored by a full-line Woolworths supermarket (3,800 sq.m) and a 1,500 sq.m Aldi supermarket, and also includes a Dan Murphy's liquor store and Spotlight. The centre is easily accessible from the market, and is understood to trade well.

The Clarendon Centre, anchored by a full-line 3,500 sq.m Coles supermarket, is located a short distance east of South Melbourne Market on Clarendon Street, and is accessible by a 250 metre walk down Coventry Street to the east and around 50 metres down Clarendon Street to the south.



South Melbourne Market

Prahran Market

Prahran Market, located in inner south-eastern Melbourne, is described as Australia's oldest continually running market, dating back to 1864. The market is compact in size with some 70 stalls across an estimated 6,000 sq.m of floorspace, and its offering is focused on fresh food, produce and cafés, with a very limited general merchandise offer.

Prahran Market is owned by the City of Stonnington and has a vision to be recognised as the leading market in Australia specialising in fresh food. The market operates five days a week (closed Mondays and Wednesdays).

Prahran Market has sought to differentiate its offer by focusing on quality within a market environment. The standards of the butchers and fish mongers are particularly high, while specialist artisan elements are also included, such as homemade gelato, coffee roasted on premises and a bakery.

Like most of the other successful markets, Prahran Market contains a mix of enclosed permanent fresh food stores (butchers, meat & poultry, delicatessen, bakery) and roofed but otherwise open air licensed stalls, primarily accommodating the fresh produce vendors.

A 1,350 sq.m Aldi supermarket adjoins Prahran Market to the east, however access to the supermarket is quite disjointed from the main market building.

Small Coles and Woolworths supermarkets are located a short distance south of Preston Market, with the 2,600 sq.m Woolworths supermarket accessible by a 100 metre walk Izett Street across Commercial Road, and the 2,400 sq.m Coles supermarket accessible by a 150 metre walk down Cato Street across Commercial Road. A Dan Murphy's liquor store is also located in close proximity to the market on Chapel Street.



Prahran Market

Dandenong Market

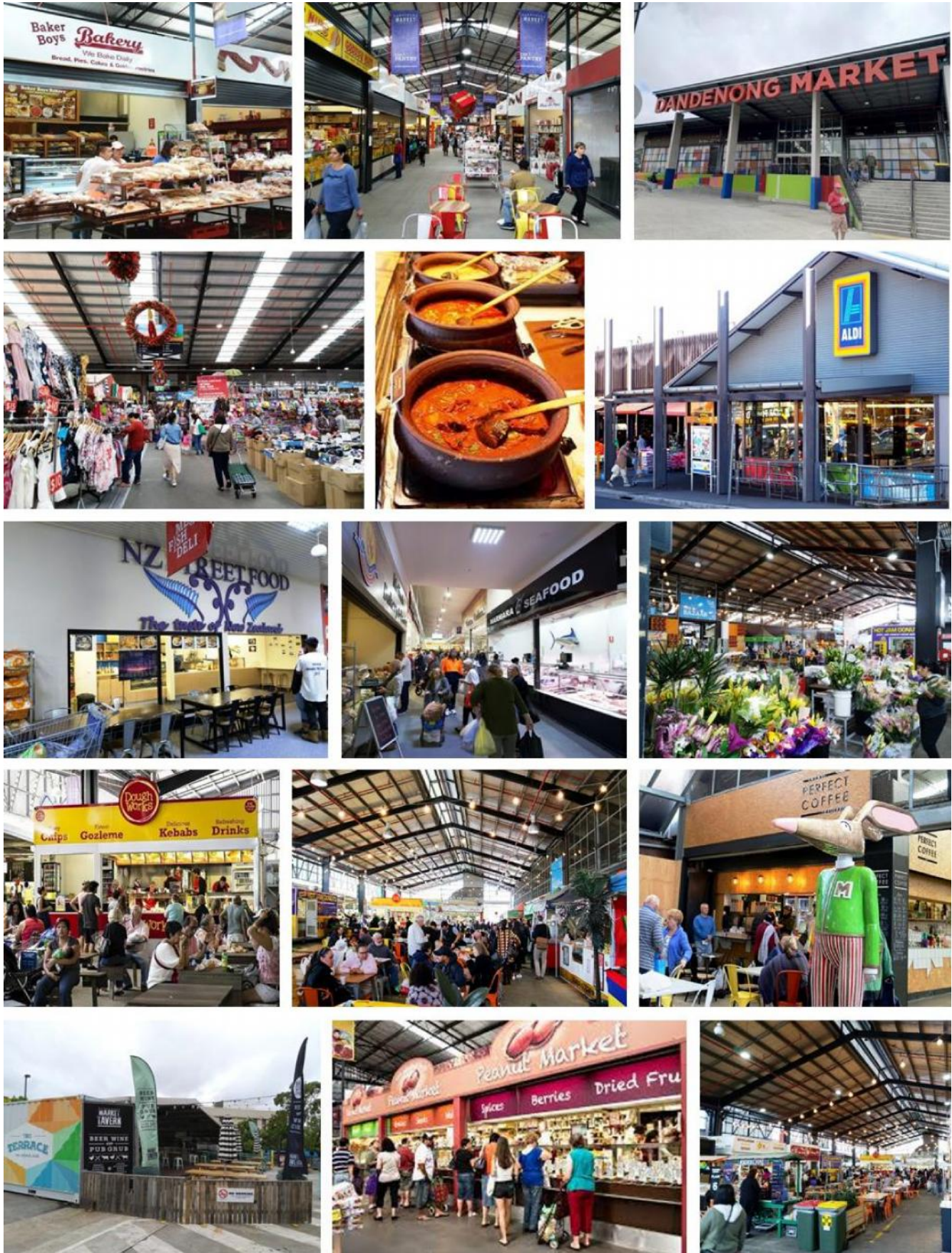
Dandenong Market is the second largest market in Melbourne and attracts visitors from all over south-east Melbourne. The market opened in 1866 and has undergone a number of redevelopments throughout its history. The market is owned by the City of Greater Dandenong who invested \$26 million in the most recent redevelopment from 2005-2011. Dandenong Market is open four days a week (Tuesday, Friday-Sunday).

Dandenong Market includes around 200 stalls provided across 8,000 sq.m of floorspace, and is divided into sections including fruit and vegetables, the meat fish and deli hall, the pantry, the bazaar, market square and the terrace, the latter featuring an outdoor dining and entertainment area.

A 1,500 sq.m Aldi supermarket adjoins the fruit and vegetable section of Dandenong Market to the north, fronting the carpark, with a strong level of through traffic between the market and supermarket.

A small 2,400 sq.m Coles supermarket centre is located a short distance west of the market, and is accessible by a 100 metre walk up a pedestrian ramp across Cleeland Street, however visibility of the supermarket from Dandenong Market is poor.

Dandenong Plaza is the regional shopping centre which serves Dandenong and the broad surrounding region. The centre contains 43,000 sq.m of retail floorspace and is anchored by Target and Kmart discount department stores and full-line Woolworths (3,900 sq.m) and Coles (3,300 sq.m) and Aldi (1,600 sq.m) supermarkets, as well as a range of mini-major tenants. The centre has good visibility from the main entrance to Dandenong Market on Clow Street. Access to the Dandenong Market requires a 200 metre walk from the market entrance, however the supermarkets at the centre are all located on level three, which requires further travel.



Dandenong Market

Section 6: Retail composition and sales potential

This section provides an assessment of the appropriate scale and estimates of sales potential for future retail facilities at the proposed Preston Market development.

6.1 Potential retail composition

This sub-section provides recommendations as to an appropriate mix of retail uses expected to be supportable at Preston Market post redevelopment.

Fresh food market

Preston Market currently includes a range of fresh food facilities as well as food catering and general merchandise tenants, with around 120 traders operating at the site. The market is planned to be relocated on the site, to the east of the proposed retail centre. The redeveloped market is expected to focus on the fresh food offer, though also include a component of general merchandise operators and some food catering outlets. Some of the non-food operators may be more suited to be located within the retail centre planned at the subject site, which will operate in a more traditional retail setting, i.e. seven days a week.

The redeveloped fresh food market will retain the feel of the existing market and will continue to serve the current role as the only fresh food market in northern Melbourne. The unique market offer will also be a major draw for the Preston Market redevelopment, and will ensure the liveliness of the broader activity centre.

Supermarket

The traditional retail component of the Preston Market redevelopment is proposed to be anchored by a 3,900 sq.m Coles supermarket alongside a redeveloped 1,800 sq.m Aldi supermarket, as well as include a broad amount of specialty space.

There is an existing Woolworths supermarket located immediately north of the Preston Market site on Murray Road, and a new Coles supermarket at the subject site will address

the underprovision of Coles facilities in the immediate area, with no Coles supermarkets located within 2 km of the subject site. A strong provision of supermarket facilities is considered important to serve surrounding residents, as well as future residents on the site.

A Coles supermarket is also expected to support the fresh food market. Each of the major Melbourne fresh food markets analysed in the previous section were located in close proximity to all three major supermarkets. The supermarket will also benefit surrounding residents by providing increased shopping choice for surrounding residents. The supermarket will be well placed to serve surrounding residents and visitors to the Preston Market, and there is considered strong potential for the development of a Coles supermarket at the site, based on the following key points:

- There are no Coles supermarkets with 2 km of the subject site.
- This will be the only Coles supermarket in the key primary sector.
- There will be all three major supermarket brands in one location, which creates a draw in itself.

Supermarket demand analysis

There are two ways to estimate retail floorspace demand. One is to apply average sales productivity rates to the available retail expenditure volumes, translating to an implied floorspace volume, which was detailed in the previous Section 4 for total retail floorspace.

Alternatively, an average floorspace provision per capita method can also be applied which provides estimates for particular retail formats (e.g. supermarket, DDS, food catering and other traditional retail). We have adopted the provision per capita approach in order to estimate supermarket floorspace demand as it is relatively straightforward to interpret.

Table 6.1 presents an analysis of supermarket floorspace demand generated by the main trade area population over the period 2018 to 2031. We have assessed this as follows:

- Estimated current resident population and future growth across the main trade area to 2031.
- Applied respective retail floorspace provision rates supermarkets across Australia. There is approximately 0.35 sq.m of supermarket floorspace per capita across Australia, a figure which is heavily impacted by the significantly under-provision within metropolitan Sydney which accounts for more than 20% of Australia's population. In outer suburban locations of metropolitan cities and in regional areas where land is generally more abundant the average per capita supermarket provision rate tends to be closer to 0.4 sq.m per capita. This refers to supermarket that are >400 sq.m.
- Estimated current and future supermarket floorspace within the main trade area.

The analysis shows that the primary sector population currently generates supermarket floorspace demand of approximately 12,800 sq.m, while the current supermarket floorspace provision in the primary sector is estimated at around 8,800 sq.m. This equates a current supermarket floorspace gap of around 4,000 sq.m. By 2021, the primary sector population is estimated to generate supermarket floorspace demand of approximately 13,900 sq.m, equating to a supermarket floorspace gap of around 5,100 sq.m.

Allowing for all of the proposed/planned supermarket floorspace within the primary sector, namely the development of a 3,800 sq.m Coles supermarket and an expansion of the existing Aldi supermarket from 1,300 sq.m to 1,800 sq.m, **the market gap in the primary sector is still expected to be around 800 sq.m, and is expected to increase to around 4,800 sq.m by 2031.**

In summary, there is clearly a need for additional supermarket floorspace within the primary sector, and the existing supermarkets are therefore not expected to be negatively impacted by the development of a Coles supermarket at the Preston Market site. The addition of a Coles supermarket to the existing Woolworths and Aldi facilities will also better serve the supermarket needs of surrounding residents, and having the three major supermarkets in one location will create a draw in its own right.

Table 6.1 Preston Market main trade area supermarket floorspace gap, 2018-2031				
Indicator/Category	2018	2021	2026	2031
<u>Population</u>				
Primary sector	32,120	34,820	39,820	44,820
Secondary sectors				
• North	40,030	42,130	45,630	49,130
• East	31,670	33,470	36,470	39,470
• South	37,320	39,420	42,920	46,420
• West	<u>18,820</u>	<u>19,720</u>	<u>21,220</u>	<u>22,720</u>
Total secondary	127,840	134,740	146,240	157,740
Total main trade area	159,960	169,560	186,060	202,560
<u>Est. retail demand per person</u>				
Supermarket	0.40	0.40	0.40	0.40
<u>Est. Supermarket demand (sq.m)</u>				
Primary sector	12,848	13,928	15,928	17,928
Secondary sectors				
• North	16,012	16,852	18,252	19,652
• East	12,668	13,388	14,588	15,788
• South	14,928	15,768	17,168	18,568
• West	<u>7,528</u>	<u>7,888</u>	<u>8,488</u>	<u>9,088</u>
Total secondary	51,136	53,896	58,496	63,096
Total main trade area	63,984	67,824	74,424	81,024
<u>Supermarket floorspace gap (sq.m)</u>				
PTA smkt floorspace supply	<u>8,800</u>	<u>13,100</u>	<u>13,100</u>	<u>13,100</u>
• Coles Preston Market		3,800		
• Aldi Preston Market expansion		500		
PTA smkt floorspace gap	4,048	828	2,828	4,828
MTA smkt floorspace supply	<u>42,500</u>	<u>59,400</u>	<u>59,400</u>	<u>59,400</u>
• Penridge smkt		3,800		
MTA smkt floorspace gap	21,484	8,424	15,024	21,624
Source: MacroPlan Dimasi				

Mini-major

Mini-major tenants are retail tenants with a floorspace of 400 sq.m or larger, typically up to around 1,500 sq.m. They are an expanding and increasingly popular component of the Australian shopping centre landscape.

Typical national mini-major tenants which are often provided at shopping centres across Australia include:

- Discount variety stores such as The Reject Shop or Daiso etc;
- Large format liquor operators (e.g. Dan Murphy's, First Choice);
- Large format chemists such as Priceline, Terry White, Chemist Warehouse etc;
- Fresh food markets/specialist supermarkets (e.g. Asian supermarkets etc).

A number of mini-major tenancies are considered to be supportable at the Preston Market redevelopment, including a large format liquor store (e.g. First Choice Liquor), a Harris Scarfe or similar non-food mini-major, a large format pharmacy (e.g. Priceline) and a small Asian supermarket.

Food catering mix

Over the past decade, spending at cafes, restaurants and take-away food outlets (i.e. food catering) and fresh food retailers in Australia has increased substantially. This shift in expenditure behaviour reflects the continued evolution of the retail sector in Australia, which is driven by a combination of consumer behaviour trends on the one hand (demand factors) and retailer trends on the other (supply factors), with general economic conditions as a background influence.

According to ABS Retail Trade data, food catering expenditure has grown by around 5.4% per annum, on average, over the past decade, while food retailing has increased by around 4.1% per annum. These far exceed the recorded growth in apparel (3.0% p.a.), household goods (2.8% p.a.) and department stores (0.3% p.a.).

High Street, particularly the area immediately east of Preston Market, contains a significant amount of food catering stores, detailed in Section 3. Given the prominent draw and location of the market as well as the substantial worker population available in the immediate surrounding area, which would generate strong demand for food catering facilities during the day, a sizeable provision of food catering floorspace is considered supportable at the retail centre (excluding outlets located within the new market), including around 15 – 16 take-away food stores and 9 – 10 cafés/casual restaurants.

Retail specialty mix

In addition to food catering tenants, the retail specialty floorspace at Preston Market is considered to be able to support a broad range of fresh food and convenience based retailers, as well as a limited provision of apparel and household goods, detailed as follows:

- **Fresh food** – This category includes tenants such as a bakery, a butcher, a chicken store, a delicatessen/grocer and a health food store. Each of these tenants is typically in shopping centres with supermarkets. Around 4 fresh food tenants are considered supportable, as well as a liquor store, in addition to those provided in the fresh food market. These tenants are not expected to impact on the market operators given the need for fresh food tenants outside of market trading hours/days.
- **Apparel** – It is considered that 1 or 2 women’s apparel stores could be provided within the traditional retail component of the redevelopment, alongside a unisex apparel store and a fashion accessories store.
- **Household goods and Leisure** – Preston Market is considered to be able to support a giftware store, two small homewares stores, as well as a newsagency/lotto outlet.
- **General** – Key tenants in this category include pharmacies, florists, discount variety stores and mobile phone retailers, with a small discount variety store, a florist and a mobile phone retailer considered supportable at Preston Market.
- **Retail Services** – This category includes service based tenants such as hairdressers, beauty salons, key cutters, clothing alterations and optometrists. The immediate resident populations is likely to associate strongly with these types of tenants and 10 retail services tenants are considered to be supportable at the centre.

The retail component of Preston Market would be able to support a range of non-retail shopfront facilities. The non-retail mix at Preston Market could include some supporting services such as a real estate agent, a travel agent, a post office, a massage parlour and a drycleaner.

Table 6.2 details the proposed composition of the retail component of the proposed mixed-use development at Preston Market, which includes supermarket anchors totalling 5,600 sq.m, 3,200 sq.m of mini-major tenancies, together with 550 sq.m of fresh food specialties, 2,350 sq.m of food catering specialties and 2,100 sq.m of non-food specialties, with 13,800 sq.m of total retail specialty floorspace. Around 500 sq.m of non-retail shopfront floorspace is also considered supportable.

Large format retail

The potential inclusion of large format retail stores at the subject site has been considered. The supply of floorspace in the homemaker/large format retail category has grown very rapidly in Australia over the past two decades. This growth has been strongly correlated with increases in home prices, as well as general economic growth in Australia. The collection of a number of large format retailers at the one site makes comparison shopping easy for customers, and also creates critical mass for the centre.

Large format retail outlets sell items such as whitegoods, furniture, camping goods and large sporting items, and are typically located on sites with high exposure to passing traffic and that are easily accessible.

The analysis in Section 3 shows that there is currently a noticeable undersupply of large format retail facilities within the immediate area surrounding Preston Market, however with a number of larger homemaker centres located in the surrounding region. It is considered that around 5,000 sq.m of large format retail facilities could be supportable at Preston Market, including around 4 – 5 tenancies of 1,000 – 1,250 sq.m each. These tenancies could include uses such as sporting (e.g. Rebel, bike superstore); outdoor (e.g. BCF, Rays); home appliances (e.g. Godfreys, The Good Guys); and lighting/flooring (e.g. Beacon Lighting, Choice Flooring).

Table 6.2
Preston Market - Proposed retail composition

Category	Preston Market	
	(No.)	(sq.m)
Supermarkets	<u>2</u>	<u>5,600</u>
• Coles	1	3,800
• Aldi	1	1,800
Mini-majors	<u>4</u>	<u>3,200</u>
• First Choice	1	1,200
• Harris Scarfe/other non-food	1	1,000
• Asian groceries	1	500
• Pharmacy	1	500
<u>Retail specialties</u>		
Food & Liquor	<u>5</u>	<u>550</u>
• Food retail	4	400
• Liquor	1	150
Food catering	<u>25</u>	<u>2,350</u>
• Takeaway food	16	1,150
• Cafe/restaurant	9	1,200
Apparel	4	400
Household	<u>3</u>	<u>450</u>
• Giftware	1	150
• Homewares	2	300
Newsagency	1	100
General	<u>3</u>	<u>450</u>
• Discount variety	1	200
• Florists	1	100
• Phone & mobile communications	1	150
Retail services	<u>10</u>	<u>700</u>
• Key cutting, shoe/watch repairs	2	50
• Optometrist	1	150
• Hairdressing & beauty	5	400
• Other retail services	2	100
Total retail spec.	51	5,000
Total centre - retail	55	13,800
<u>Non-retail shopfront</u>		
Travel agent	1	100
Real estate agent	1	100
Post office	1	100
Massage	1	100
Laundromat	<u>1</u>	<u>100</u>
Total non-retail shopfront	5	500
Total centre	60	14,300

Source: MacroPlan Dimasi

6.2 Retail sales potential

The sales performance of any particular retail facility, be it an individual store or a collection of stores provided in a shopping centre or precinct, is determined by a combination of the following factors:

- The quality of the facility, with particular regard to the major trader/traders which anchor the centre; the strength of the tenancy mix relative to the needs of the catchment which it seeks to serve; the physical layout and ease of use; the level of accessibility and ease of parking; and the atmosphere/ambience of the centre.
- The size of the available catchment which the centre seeks to serve. This factor sets the upper limit of the sales potential able to be achieved by the centre or store.
- The location and strengths of competitive retail facilities and the degree to which those alternative facilities are able to effectively serve the needs of the population within the relevant trade area.

The key considerations for estimating the sales potential for the retail component of the proposed Preston Market development including the following:

- The location of the subject site within the Preston Activity Centre. The site is conveniently situated close to High Street and is bounded by Murray Road to the north and Cramer Street to the south, and is also located adjacent to the Preston train station.
- The inclusion of the fresh food market, which is the only fresh food market serving northern Melbourne.
- The supply of retail facilities in the surrounding area, and particularly the existing Woolworths and Aldi supermarket facilities at and adjacent to the site.
- The available population within the trade area defined for Preston Market, which is to grow strongly over the forecast period, and with 2,500 dwellings planned at the subject site over the medium term.

In addition to the above, the estimation of sales potential for the proposed supermarkets at the subject site considers the size of the take-home food, grocery and packaged liquor (FLG) market in the catchment, particularly the primary sector. The Coles supermarket is expected to achieve a relatively substantial proportion of the available market reflecting that the only other full scale supermarkets in the primary catchment are the existing Woolworths supermarket at adjacent to Preston Market and the Woolworths supermarket at Coburg Hill.

Table 6.3 details the estimated retail sales potential for the proposed traditional retail component of the development. The total retail sales potential for the development is estimated at \$104.7 million at 2020/21. This total comprises \$54.1 million of supermarket sales, \$19.3 million of mini-major sales and \$31.3 million of specialty sales (\$20.4 million food and \$10.9 million non-food). These estimates assume that a range of quality tenants can be attracted to the site.

Table 6.4 then summarises the sales potential for the retail component of the development including large format retail, but excluding the relocated market.

Table 6.3
Preston Market - Retail centre sales potential, 2020/21*

Category	GLA (sq.m)	Estimated sales	
		(\$M)	(\$/sq.m)
Supermarkets	<u>5,600</u>	<u>54.1</u>	<u>9,660</u>
• Coles	3,800	36.1	9,500
• Aldi	1,800	18.0	10,000
Mini-majors	<u>3,200</u>	<u>19.3</u>	<u>6,030</u>
• First Choice	1,200	7.8	6,500
• Harris Scarfe/other non-food	1,000	3.5	3,500
• Asian groceries	500	4.0	8,000
• Pharmacy	500	4.0	8,000
<u>Retail specialties</u>			
Food & Liquor	<u>550</u>	<u>5.1</u>	<u>9,270</u>
• Food retail	400	3.6	9,000
• Liquor	150	1.5	10,000
Food catering	<u>2,350</u>	<u>15.3</u>	<u>6,490</u>
• Takeaway food	1,150	8.1	7,000
• Cafe/restaurant	1,200	7.2	6,000
Apparel	400	2.0	5,000
Household	<u>450</u>	<u>2.1</u>	<u>4,670</u>
• Giftware	150	0.8	5,000
• Homewares	300	1.4	4,500
Newsagency	100	0.6	6,000
General	<u>450</u>	<u>2.4</u>	<u>5,220</u>
• Discount variety	200	0.8	4,000
• Florists	100	0.5	5,000
• Phone & mobile communications	150	1.1	7,000
Retail services	<u>700</u>	<u>3.9</u>	<u>5,500</u>
• Key cutting, shoe/watch repairs	50	0.3	6,000
• Optometrist	150	1.1	7,000
• Hairdressing & beauty	400	2.0	5,000
• Other retail services	100	0.5	5,000
Total retail spec.	5,000	31.3	6,250
Total centre - retail	13,800	104.7	7,580

*Constant 2017/18 dollars & including GST

Source: MacroPlan Dimasi

Table 6.4
Preston Market - Retail sales potential summary, 2020/21*

Category	GLA	Estimated sales	
	(sq.m)	(\$M)	(\$/sq.m)
<u>Traditional retail centre</u>			
Supermarkets	5,600	54.1	9,660
Mini-majors	3,200	19.3	6,030
Retail specialties	<u>5,000</u>	<u>31.3</u>	<u>6,250</u>
Total retail centre	13,800	104.7	7,580
<u>Large format retail precinct</u>			
Large format retailers	<u>5,000</u>	<u>17.5</u>	<u>3,500</u>
Total retail facilities	18,800	122.2	6,500

*Constant 2017/18 dollars & including GST
Source: Salta Properties; MacroPlan Dimasi

Section 7: Entertainment and non-retail potential

This section of the report provides an assessment of the potential for cinema and entertainment and other non-retail facilities at the subject site.

7.1 Cinema potential analysis

This section of the report outlines the potential for cinema facilities at Preston Market.

In general, cinema complexes add greatly to the overall offer of shopping centres and can support dining/entertainment precincts, which further enhances the draw of the centre and provides flow-on benefits to other retailers. In particular, cinemas will extend the hours when the precinct is actively used.

The major drivers of cinema visitation are considered to be the following:

- The trade area population and its socio-demographic profile, particularly its age distribution;
- The attractiveness of the cinema facility which can be provided at the centre, and the supporting entertainment/dining offer;
- Accessibility and carparking; and
- The locations and attractiveness of alternative cinema facilities which the trade area population can use.

Table 7.1 details the attendance rate by age group for cinemas across Australia, as sourced from Screen Australia. The latest detailed age group data available is for 2017, with the historic data providing solid indicators of general patterns of cinema visitation by age cohort. As shown, the attendance rate ranges between 62% for mature customers and 86% for teenagers and young adults.

Table 7.1 Australian cinema statistics - historical attendance rate by age group				
Year	Attendance rate (%)*			
	14 - 24 yrs	25 - 34 yrs	35 - 49 yrs	50+ yrs
2010	84.6%	76.0%	70.9%	55.7%
2011	85.6%	72.4%	68.8%	55.8%
2012	85.6%	73.5%	68.8%	57.8%
2013	86.2%	76.1%	70.1%	58.4%
2014	84.4%	73.8%	68.1%	57.9%
2015	85.0%	75.1%	68.9%	58.8%
2016	85.7%	75.7%	73.4%	61.1%
2017	85.9%	76.0%	74.0%	61.6%

* People who had been to the cinema in the past 12 months, as a percentage of all people in each age group
Source: Screen Australia, MacroPlan Dimasi

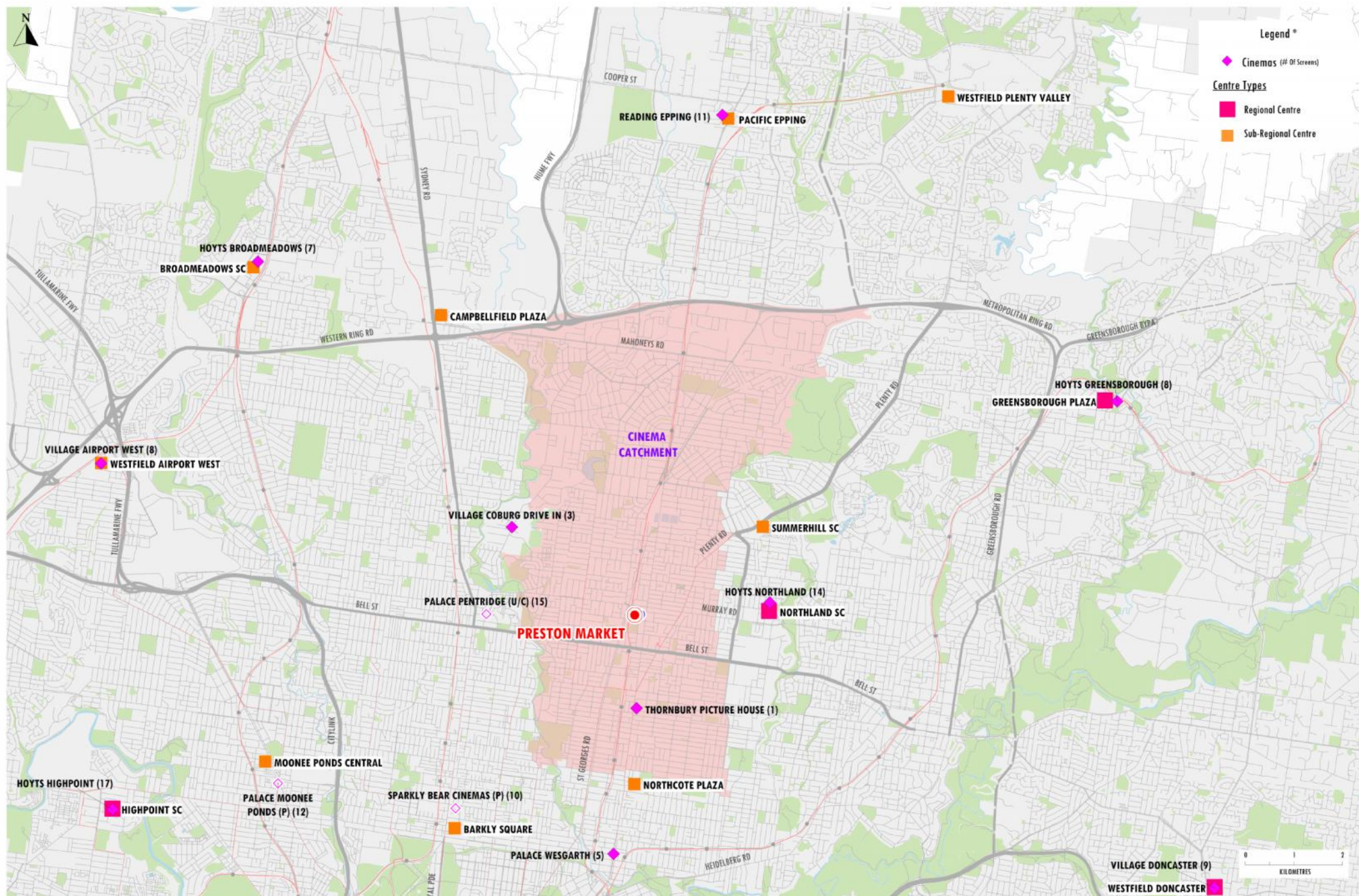
Table 7.2 summarises the competitive cinema facilities throughout the trade area, which are also illustrated on Map 7.1. There are a number of cinemas provided in the surrounding region, which are detailed as follows:

- The closest cinema to the subject site is a recently opened single screen independent cinema in Thornbury, the Thornbury Picture House, located 1.6 km south of the subject site on High Street.
- A 14 screen Hoyts Cinema is located at Northland in Preston, 2.4 km east of the subject site.
- A 3 screen Village drive in cinema is located 4.3 km north-west of the subject site in Coburg.
- A 5 screen cinema is located at Westgarth, 5.3 km to the south of the subject site, which is operated by Palace Cinemas.
- An 11 screen cinema is located at Epping Plaza, 9.8 km to the north of the subject site, which is operated by Reading Cinemas.
- An 8 screen Hoyts Cinema is located at Greensborough Plaza, 11.1 km to the north-east of the subject site.

In terms of future cinema competition:

- A 15 screen Palace Cinema is proposed to be developed at Pentridge in Coburg, located 3.5 km west of the subject site, by 2019/20.
- A 10 screen cinema is proposed to be developed in Weston Street in Brunswick, adjacent to Barkly Square, by 2020.

Table 7.2 Preston Market - schedule of competing cinemas			
Centre/location	No. of screens	Cinema brand	Distance from Preston Market (km)
Thornbury Picture House	1	Independent	1.6
Hoyts Northland	14	Hoyts	2.4
Village Coburg Drive In	3	Village Cinemas	4.3
Palace Westgarth	5	Palace Cinemas	5.3
Reading Epping	11	Reading Cinemas	9.8
Hoyts Greensborough	8	Hoyts	11.1
Proposed facilities			
Palace Pentridge	15	Palace Cinemas	3.5
Sparkly Bear Cinemas, Brunswick	10	Independent	6.9
Source: Various cinema/centre websites, MacroPlan Dimasi			



Map 7.1: Preston Market
Cinema facilities

Table 7.3 presents the estimated annual cinema visitations by trade area residents to all cinemas. For the purpose of this analysis, we have defined the trade area for a cinema at Preston Market to include the primary sector and secondary north and south sectors. This catchment has been defined with regard to the surrounding cinema competition, namely the existing cinema facilities at Northland and the future Palace Cinema at Pentridge in Coburg.

This analysis has regard to the benchmark visitation levels and attendance rates, based on the frequency of visits amongst cinema goers, as well as the age profile of each trade area sector.

It is estimated that the defined cinema trade area will generate around 464,000 cinema visitations at 2021, including 138,000 from the key primary sector. By 2031, potential cinema attendance is expected to reach 550,000 across the defined cinema trade area, based on growth of 1.7% per annum.

Table 7.3 Preston Market cinema trade area - estimated cinema attendance						
Trade area sector	2021 Population (As at June)	Estimated cinema visits (per person p.a.)	Estimated total cinema attendance*			
			2021	2024	2026	2031
Primary	34,820	4.0	138,090	146,020	153,950	173,780
Secondary sectors						
• North	42,130	4.0	168,100	173,680	179,270	193,230
• South	<u>39,420</u>	<u>4.0</u>	<u>157,740</u>	<u>163,350</u>	<u>168,950</u>	<u>182,960</u>
Total secondary	81,550	4.0	325,840	337,030	348,220	376,190
Main trade area	116,370	4.0	463,930	483,050	502,170	549,970
*Across entire trade area sector population Source: MacroPlan Dimasi						

To determine the potential for cinema facilities at the subject site, approximate market shares have been applied to the available market, taking into regard the surrounding competitive network of cinema facilities. Table 7.4 presents the estimated market shares and

visitation levels that are considered potentially achievable by a future Preston Market cinema complex. The following market shares have been applied:

- Primary sector: 35%
- Secondary North sector: 30%
- Secondary South sector: 25%

The above estimated market shares result in a main trade area market share of 30%. We also consider approximately 20% - 25% of total visitations could be generated by visitation drawn from beyond the trade area (i.e. visitors and tourists to the Preston Market).

Having regard for the above, the proposed Preston Market cinema complex has the potential to support around 177,000 visits in its first year of operation (2020/21).

Table 7.4 Preston Market - Estimated cinema attendance, 2020/21					
Trade area sector	2021 Population (As at June)	Estimated cinema visits (per person p.a.)	Est. total cinema attendance	Preston Market Estimated market shares	Estimated attendance
Primary	34,820	4.0	138,090	35%	48,470
Secondary sectors					
• North	42,130	4.0	168,100	30%	50,497
• South	<u>39,420</u>	<u>4.0</u>	<u>157,740</u>	<u>25%</u>	<u>39,498</u>
Total secondary	81,550	4.0	325,840	27%	89,995
Main trade area	116,370	4.0	469,313	30%	138,465
Beyond TA demand (22.5%)					<u>40,199</u>
Total					178,664
Source: MacroPlan Dimasi					

Across Australia, the average annual visitation rate per screen is approximately 40,000 visits. Therefore, a cinema complex at Preston Market could potentially support a boutique offer of 4 – 5 screens at 2021, which could be provided as part of a broader entertainment precinct. This is discussed in the next sub-section.

7.2 Other entertainment uses

Over the past decade, there has been a shift in consumer spending towards more experiential categories, in particular food catering and entertainment, as opposed to non-food categories (e.g. apparel, department stores).

New entertainment uses such as Holey Moley have recently entered the market. Holey Moley is a part mini-golf/putt putt, part bar concept that operates in 12 locations around Australia, with only one location in Victoria, in the Melbourne CBD. NSW, Queensland and Western Australia all have multiple Holey Moley facilities.

Strike Bowling offers a popular part bowling, part bar concept, with the closest Strike facilities located in the Melbourne CBD. There are no ten pin bowling facilities located in close proximity to Preston Market, with facilities located at Keon Park, around 5.4 km north of Preston Market, and Greensborough, around 8.4 km to the north-east.

Amusement centres, such as Timezone, are typically offered at regional centres. However, a small amusement centre may be supportable at the subject site if it was offered alongside the proposed cinema facilities. A Timezone amusement centre is located at Northland, 2.4 km east of Preston Market. Entertainment facilities serve as a key differentiating factor for centres, and can draw customers from a much larger catchment than traditional retail facilities.

Given the site location and proposed development, a dining precinct is also considered to be supportable and would be an important part of a future entertainment precinct anchored by a cinema complex. The dining precinct would be well placed to serve future residents on site as well as residents throughout the catchment, and will substantially contribute to the night time economy at the subject site. Around four to five restaurants of around 150 - 200 sq.m each are considered to be supportable as part of this precinct, with tenants such as Schnitz, Guzman y Gomez, a Thai/Vietnamese street food outlet expected to work well.

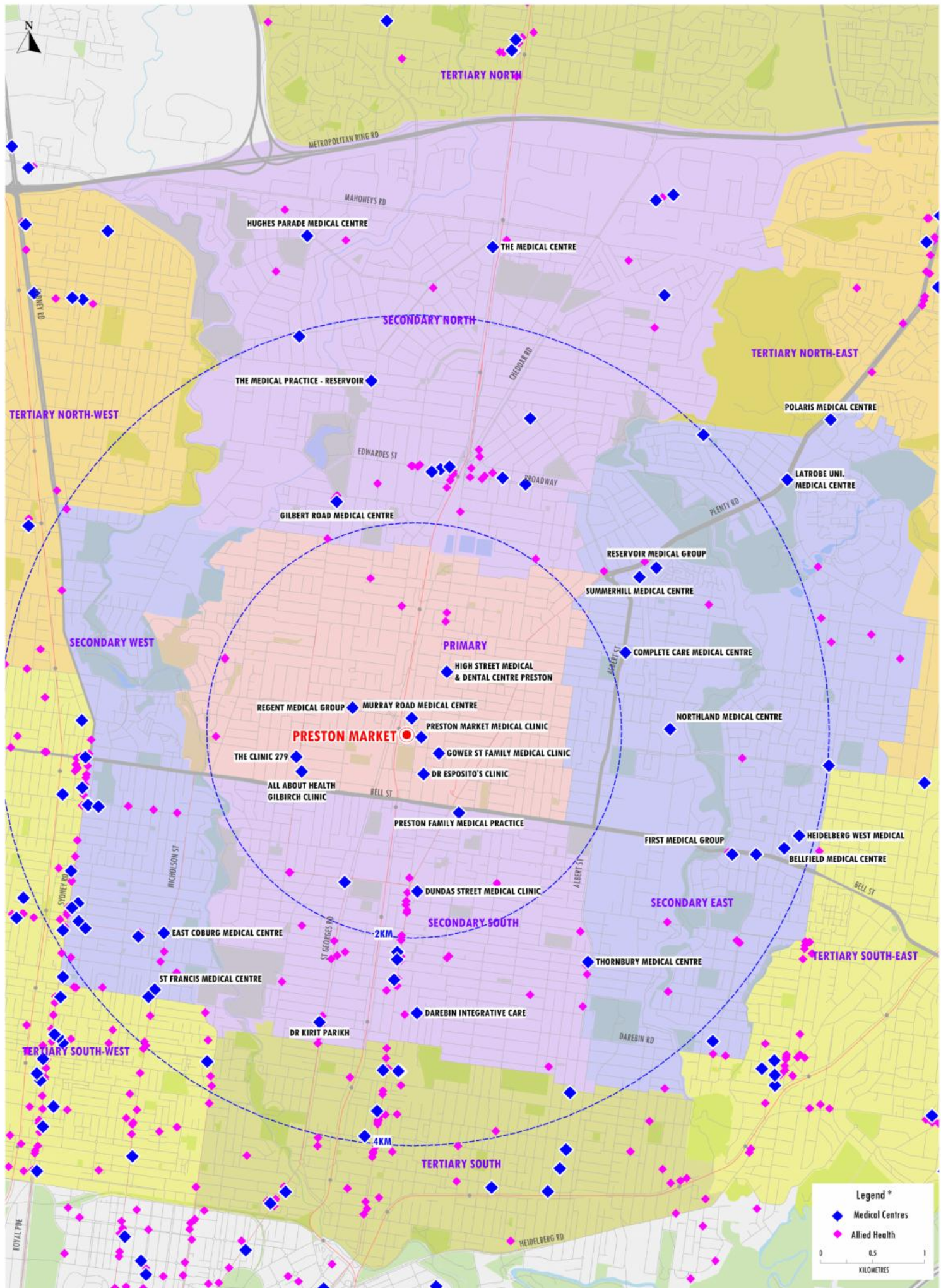
7.3 Other non-retail uses

This sub-section provides a review of the various non-retail uses that can potentially be provided at the subject site.

Medical centre

With a growing proportion of expenditure going toward healthcare costs, medical centres are increasingly an important use in major mixed-use developments. Medical centres play an important role in generating a steady flow of people to locations, with obvious benefits for retailers, particularly a pharmacy. Medical centres attract all population segments, though the most important customer groups are likely to be elderly residents and young children.

Map 7.2 illustrates the location of medical centres and allied health facilities in the surrounding area. At present there are a number of medical centres located in close proximity to Preston Market, however given the draw of Preston Market and the proposed development, there is considered a good opportunity for a large medical centre, together with a range of allied health facilities, at the subject site.



Map 7.2: Preston Market
Medical centres/allied health facilities

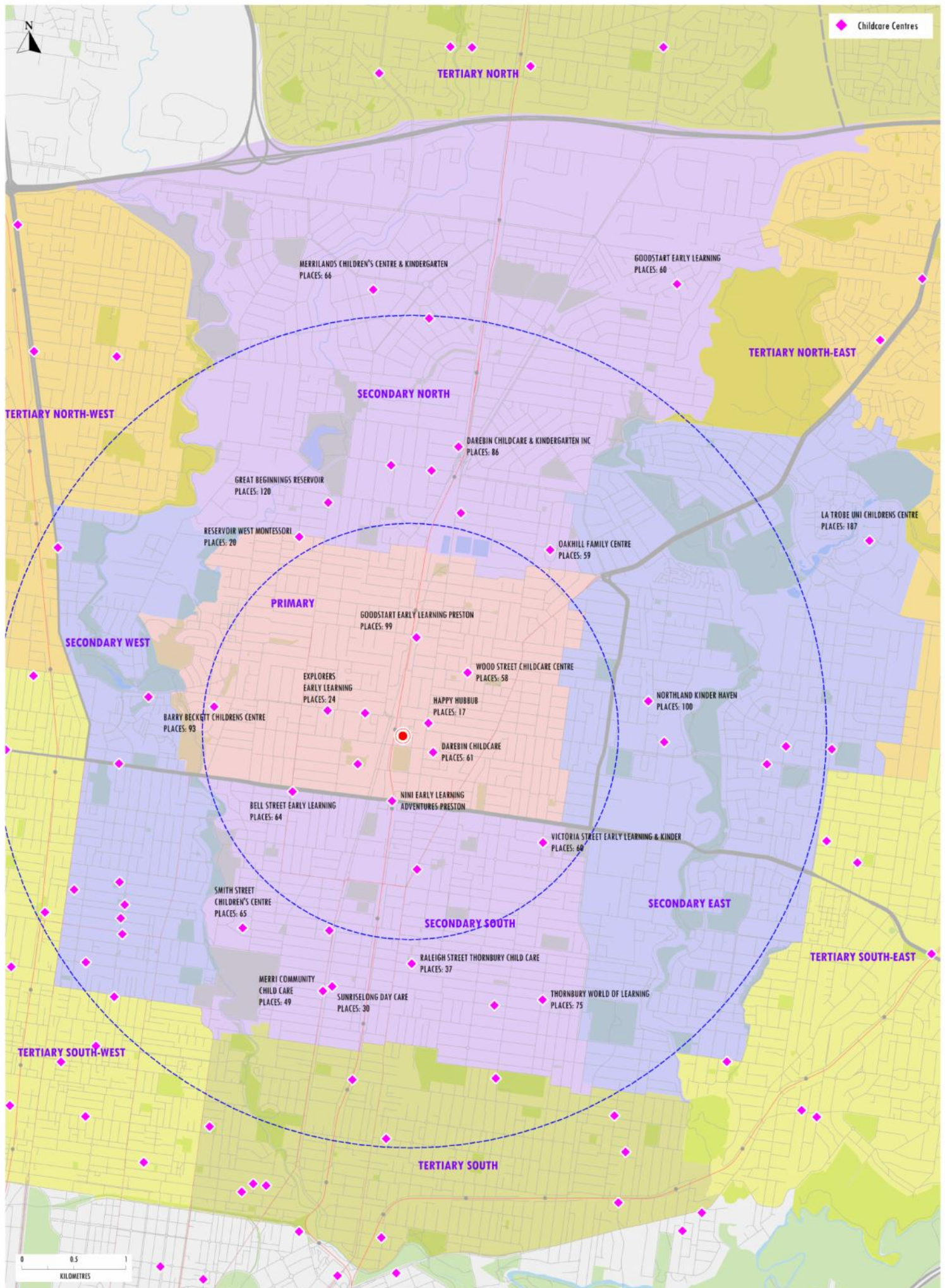
Childcare

Childcare facilities are typically well suited to growing areas in outer metropolitan locations, which typically attract young families. Locating childcare centres close to activity centres capitalises on the generally 'time poor' nature of parents of young children, many of whom are likely to value the convenience of a range of other facilities near their childcare centre.

Childcare centres attract the bulk of activity on weekdays in the mornings (between 7am and 9am) and in the afternoons/evenings (between 4pm and 6pm). These centres are typically closed on weekends. Childcare centres provide services to working parents, and there are obvious opportunities for synergies with retailers and other commercial uses at the site.

In broad terms, a childcare centre requires a catchment population of around 5,000 people, therefore seven childcare centres are potentially supportable in the primary catchment at 2021, with an estimated population of around 35,000. As shown on Map 7.3 there are already five childcare centres located in close proximity to Preston Market, with another three located in the broader primary sector. Therefore, based on the population of the primary sector, there is not considered a clear opportunity for a childcare centre to be included at the subject site at present. However, given the future residential development planned at the site, which is proposed to comprise around 2,500 dwellings, a childcare centre could possibly be supportable at the site.

Based on a medium sized childcare centre, which is able to accommodate a capacity of 100-120 children, the floorspace requirement would around 700 sq.m of indoor space and around 800 sq.m of outdoor space. This is based on around 6.5 sq.m of internal space and 7.5 sq.m of outdoor space per child, which the typical provision of floorspace for childcare centres in Melbourne.

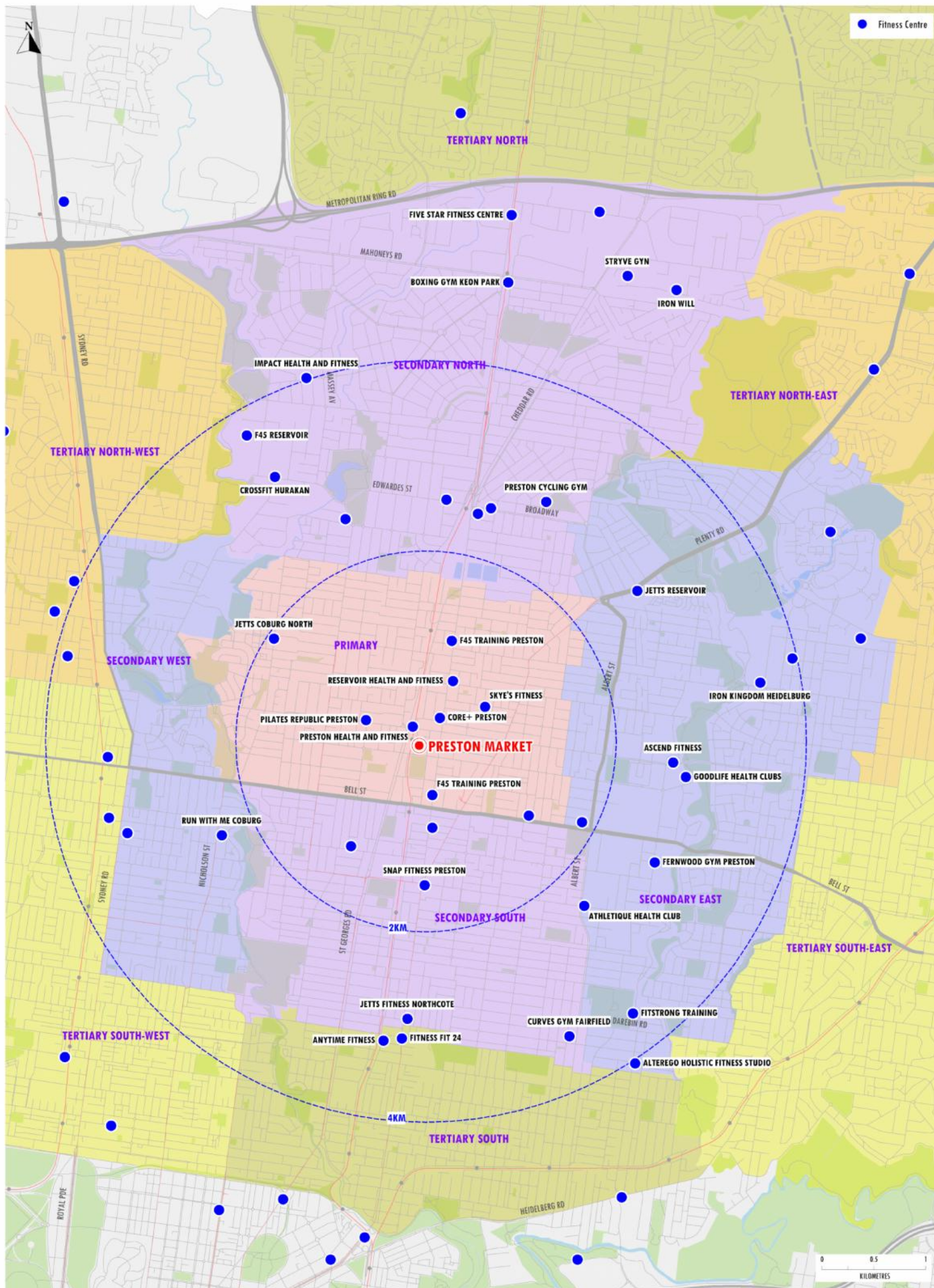


Map 7.3: Preston Market
Childcare centres

Health and fitness facilities

The growing health and wellbeing sector presents an opportunity to provide a gymnasium or a fitness centre within the mixed-use development. Such a facility greatly adds to the convenience of mixed-use developments, and can cater to the needs of local residents. Fitness centres have the potential to drive activity outside of typical retail hours, and can greatly contribute to the overall amenity of commercial developments.

There are a number of fitness centres located in close proximity to Preston Market (refer Map 7.4), however a large fitness and wellness offer at the subject site is considered supportable would be beneficial for the broader development, being destinational in its own right. A large fitness centre/gymnasium is considered supportable at the subject site, along with a boutique yoga/pilates studio offer.



Map 7.4: Preston Market
Gymnasiums/fitness centres

Office space

Office space can provide additional employment opportunities at mixed-use developments, as well as provide additional services to the local community. The types of uses typically provided at activity centres and mixed-use developments can range from professional services firms to small commercial businesses. The inclusion of such uses can help to stimulate the daytime activity at the subject site with workers and clients of the businesses supporting the other retail and non-retail uses in the development.

There is the opportunity to provide office space on an upper level of the proposed development at the subject site, particularly given the central location of the site and good access to public transport facilities. A detailed office demand assessment is provided in the next section of this report.

7.4 Total centre potential

Table 7.5 summarises the potential composition of the total centre, including the traditional retail component anchored by the Coles and Aldi supermarkets, a large format retail precinct, an entertainment precinct, and other non-retail/commercial facilities such as a fitness centre, medical centre and childcare centre.

Table 7.6 provides the total sales potential for the retail/entertainment facilities component of the development, which is estimated at \$135.2 million at 2020/21. This total comprises the traditional retail centre of \$104.7 million, \$17.5 million of large format retail sales (around \$3 – 5 million for each large format retail tenant) and \$13 million for the entertainment facilities (\$4.5 million for the potential cinema, \$4 million for an additional entertainment facility such as mini-golf or bowling and \$4.5 million for a dining precinct with 4-5 restaurants). These estimates assume that a range of quality tenants can be attracted to the site.

Table 7.5
Preston Market - Potential composition

Category	Floorspace, GLA (sq.m)
<u>Traditional retail centre</u>	
Supermarkets	5,600
Mini-majors	3,200
Retail specialties	5,000
Non-retail shopfront facilities*	<u>500</u>
Total retail centre	14,300
<u>Large format retail precinct</u>	
Large format retailers	5,000
<u>Entertainment precinct</u>	
Cinema (5 screens)	2,000
Other entertainment	2,000
Dining precinct	<u>750</u>
Total entertainment precinct	4,750
<u>Other non-retail/commercial facilities</u>	
Fitness centre/wellbeing uses	1,200
Medical centre/allied health	1,000
Childcare centre (indoor space only)**	700
Bank/financial services	<u>500</u>
Total other non-retail facilities (excl. office)	3,400
Total centre (excluding market and office space)	27,450
*Non-retail shopfronts such as real estate agents, travel agents, a post office, massage outlets, etc.	
**Childcare centre total floorspace to include 800 sq.m of outdoor area	
Source: Salta Properties; MacroPlan Dimasi	

Table 7.6
Preston Market - Retail/entertainment sales potential, 2020/21*

Category	GLA	Estimated sales	
	(sq.m)	(\$M)	(\$/sq.m)
<u>Traditional retail centre</u>			
Supermarkets	5,600	54.1	9,660
Mini-majors	3,200	19.3	6,030
Retail specialties	<u>5,000</u>	<u>31.3</u>	<u>6,250</u>
Total retail centre	13,800	104.7	7,580
<u>Large format retail precinct</u>			
Large format retailers	5,000	17.5	3,500
<u>Entertainment precinct</u>			
Cinema (5 screens)	2,000	4.5	2,250
Other entertainment	2,000	4.0	2,000
Dining precinct	<u>750</u>	<u>4.5</u>	<u>6,000</u>
Total entertainment precinct	4,750	13.0	2,740
Total retail/entertainment facilities	23,550	135.2	5,740
Non-retail shopfront facilities**	500		
<u>Other non-retail/commercial facilities</u>			
Fitness centre/wellbeing uses	1,200		
Medical centre/allied health	1,000		
Childcare centre (indoor space only)***	700		
Bank/financial services	<u>500</u>		
Total other non-retail facilities	3,400		
Total centre (excl. market and office space)	27,450		

*Constant 2017/18 dollars & including GST

**Non-retail shopfronts within the retail centre could include real estate agents, travel agents, a post office, massage outlets, etc.

***Childcare centre total floorspace to include 800 sq.m of outdoor area

Source: Salta Properties; MacroPlan Dimasi

Section 8: Office market assessment

This section of the report provides a high-level assessment of the demand and supply for commercial office uses which may influence the potential future use outcomes at the subject site.

8.1 Context & study area

Commercial office space outside of the Melbourne CBD and city fringe precincts tends to be located in highly accessible locations close to pools of educated workers and with relatively good access via public transport and freeway networks.

Much of the office space in suburban areas exists in the form of lower density suburban office/industrial parks. Major demand drivers for non-CBD and suburban office space include lower costs, less constraint on buildings (e.g. floorplate, loading, ceiling height, etc), flexibility for expansion, purpose-built facilities, accessibility to freeways and public transport for workers, and typically more generous car parking provision.

The subject site is located in the middle-ring suburb of Preston and generally at the geographic centre of the Darebin LGA, with immediate proximity to the Preston Railway Station of the Mernda Railway Line. The proposed mixed-use redevelopment of the subject site is planned to include some 27,500 sq.m of retail/entertainment facilities, a redeveloped fresh food market and 2,500 apartments. This would attract significant weekday/weekend visitation to the area.

For analysing purposes, the Darebin LGA has been defined as the study area for this assessment. The study area is illustrated in Map 8.1.



Map 8.1: Preston Market
Office market study area

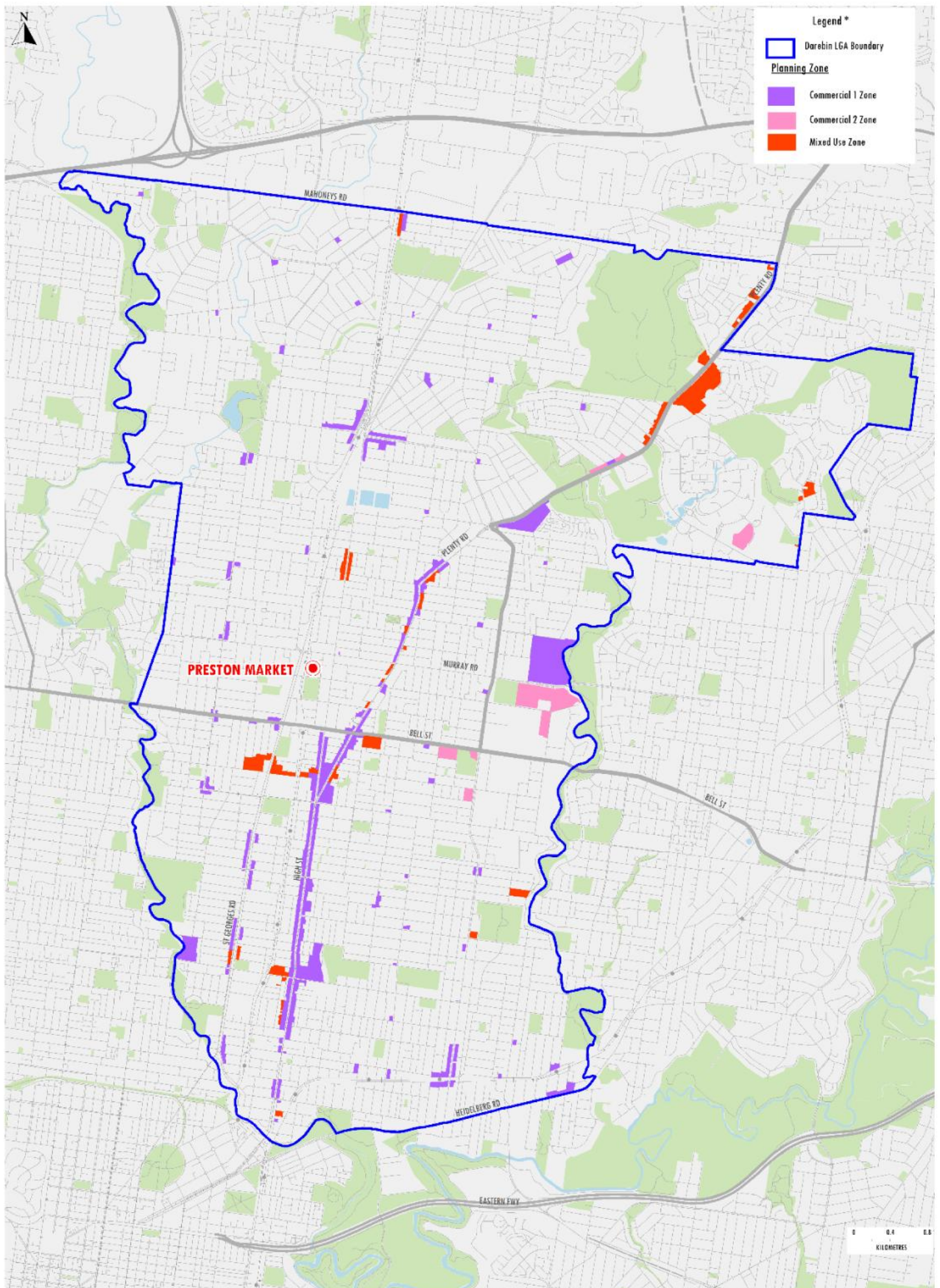
Source: MacroPlan Dimasi

8.2 Commercial land

There is a total of 195.8 ha commercial land available in Darebin including:

- Commercial Zone 1 (C1Z): 127.1 ha,
- Commercial Zone 2 (C2Z): 25.5 ha,
- Mixed Use Zone (MUZ): 43.2 ha, and

As presented in Map 8.2, the majority of commercial land in the study area is concentrated at the Northland Regional Shopping Centre and along High Street and Plenty Road particularly at activity centres. Most commercial land is used for retail, food catering, cafes, various personal services and other commercial uses.



Source: Planning Maps Online, MacroPlan

Map 8.2: Darebin LGA
Commercial land

8.3 Commercial office supply

Study area office supply

The office market within the study area remains largely undeveloped with very limited provision of prime office stock. The vast majority of commercial office space is commercial shopfronts (e.g. bank branches, medical centres, accountants, travel agents) in activity centres. There are also a number of commercial suites co-located with industrial units and warehouses in larger industrial precincts. This commercial office space is usually small scale, relatively low quality and largely belongs in the secondary classification of office grading.

One major mixed use development in the study area, which contains prime office space is Bell City located at the corner of Bell Street and Hotham Street, approximately 1 km south-east of the subject site. The office component of the complex and the standalone office building Corporate One at Bell City together offer up to approximately 15,000 sq.m GFA prime and serviced office spaces. It offers leasable office suites for 1-20 people as well as larger longer-term leasing spaces from 100 sq.m to 1,000 sq.m. Main tenants include health services, lawyers, insurance, education and training, real estate services, consulting services, IT services and employment services. Corporate One is currently not fully occupied and available floor space is advertised from \$135 per week up to \$280 per week for upper floors. A short distance from Bell City is 340 Bell Street – a standalone office building with approximately 4,500 sq.m GFA offering a total of 3,630 sq.m leasable office space. 340 Bell Street is approximately 650 m south of the subject site and within 200 m to the Bell Railway Station. Main tenants include health care services, medical organisations, media, food products and employment services.

A summary of current prime office supply in the study area is presented in Table 8.1.

Table 8.1: Current Prime Commercial Office Supply, Darebin LGA

Office Development	Address	Suburb	GFA	Status
Bell City Office Development	215 Bell Street	Preston	7,500	Operating & Fully Leased
Corporate One @ Bell City	84 Hotham Street	Preston	7,500	Operating & Leasing
340 Bell Street	340 Bell Street	Preston	4,500	Operating & Leasing
Subtotal			19,500	

Source: Various Websites, MacroPlan Dimasi

Current annual rent for commercial office space in the study area ranges from as low as \$100 per sq.m (NLA) up to \$365 per sq.m. However most rents are between \$200 per sq.m to \$300 per sq.m.

There has been limited sales of commercial office stock within the study area. Recent sales within the past two years indicate sales prices from \$2,300 per sq.m (NLA) up to \$5,000 per sq.m.

There is also a limited pipeline for future office development within the study area. Most of the known future office supply is small-scale shopfront commercial spaces in various locations but no future standalone prime office development has been reported within the study area.

Major office supply outside the study area

The current most commanding prime commercial office development in Northern Melbourne is the University Hill development located approximately 8.5 km north-east of the subject site outside the study area in the suburb of Bundoora. University Hill provides campus style office accommodation across a number of standalone office buildings. The GFA of these buildings ranges from 2,000 sq.m up to 6,125 sq.m, totalling 32,300 sq.m GFA office floor space.

Most of the office space at University Hill is either sold or leased, except the recently completed building 1 Janefield Drive. Completed in 2018, 1 Janefield Drive has a total GFA of 4,775 sq.m and is currently leasing with flexible floor plates from 275 sq.m to the whole floor of 2,250 sq.m. Current annual rents for commercial office space at University Hill are largely between \$200 per sq.m (NLA) to \$330 per sq.m. Historic sales prices were between \$3,800 per sq.m (NLA) to \$5,000 per sq.m.

Current tenants at University Hill include some high-profile local, national and international companies across a variety of industries such as health, education, finance and insurance, professional services, technologies and personal services.

Plans for University Hill show the future development of office space to be built at the northern section of the precinct. Upon completion there will be 45,000 sq.m of commercial space in the precinct hosting 155 businesses and employing 4,000 people.

Shared office/co-working space

Shared office/co-working space is a relatively new concept to the Australian office market. It is a business services provision model for the use of working spaces by self-employed workers, freelance workers, start-up businesses and/or small and medium-sized enterprises (SMEs).

The owner of a shared office/co-working space provides a work environment as well as office equipment and amenities found in a typical office. Typical features of co-working facilities include:

- Shared work spaces;
- 24/7 access;
- Reservable/rentable conference and/or boardrooms;
- Wi-Fi;
- Communal printer/copier/fax;
- Shared kitchens, bathrooms and lounges.

Desktop research indicates the majority of existing shared office/co-working space is located within and surrounding the Melbourne CBD and several inner-eastern suburbs. The northern middle-ring suburbs have shown some emerging small scale (up to 1,000 sq.m) shared office/co-working spaces particularly clusters along High Street in Northcote and Thornbury, High Street and Plenty Road in Preston, Brunswick, and Coburg. However, this market is limited in the northern middle-rings.

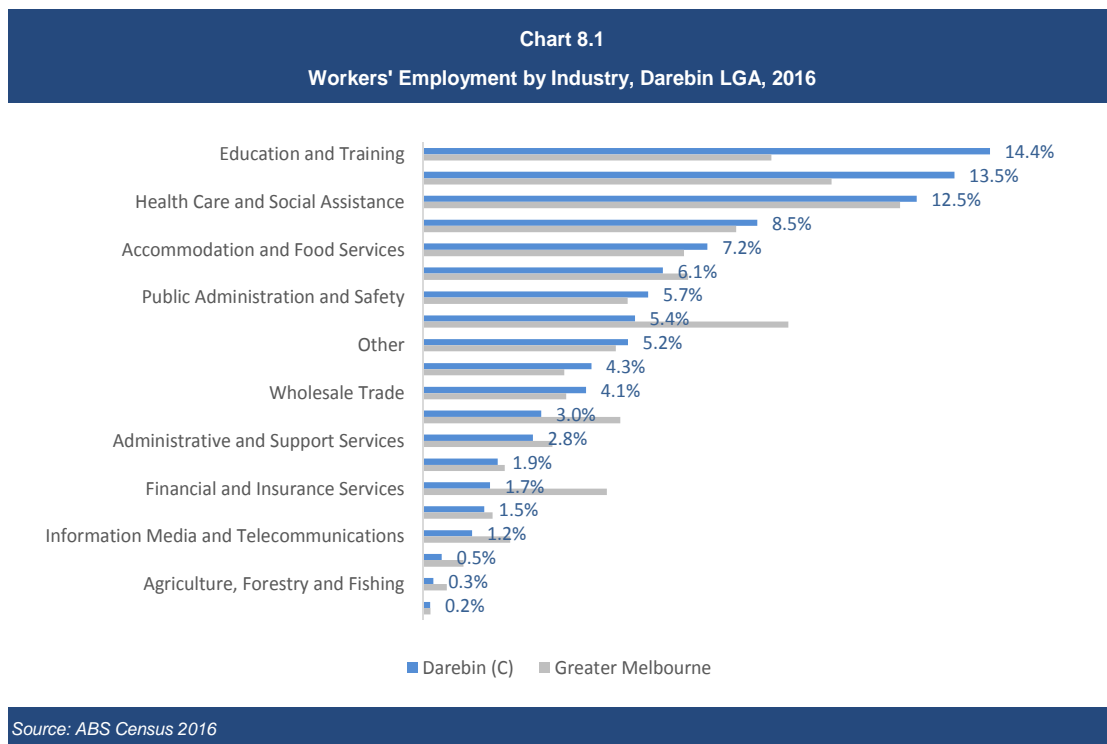
Rental prices varies depending on the location, sizes and quality of the space. Typical rents in the northern suburbs ranges from approximately \$85 per desk per week up to over \$200 per desk per week.

8.4 Commercial office demand

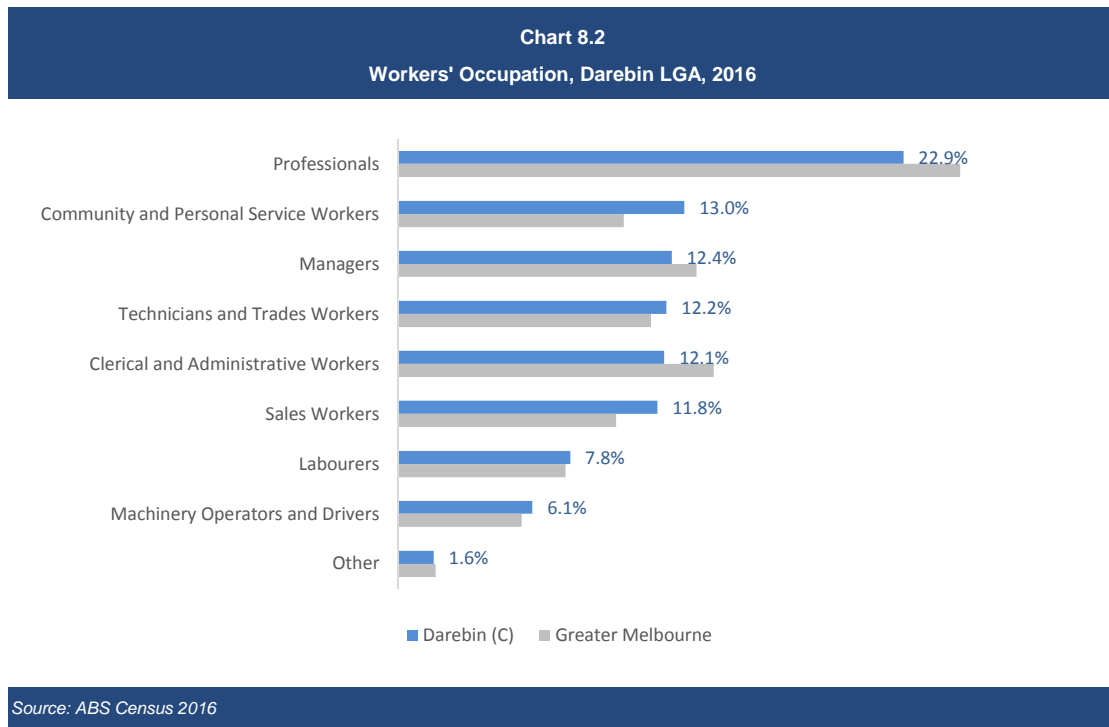
Workers' profile

The 2016 Census reported a total of 47,683 workers within the study area. This translates into an average job density of 8.9 jobs per ha and an employment servicing ratio (i.e. the ratio of jobs to resident population within an area) of 0.32 jobs per resident, comparing to the Greater Melbourne average of 2.1 jobs per ha and 0.46 jobs per residents respectively.

The largest employing sectors in the study area are education and training (14.4%), retail trade (13.5%) and health care and social assistance (12.5%) – all these sectors present a higher relative share of workers in their sectors when compared with the Greater Melbourne averages. Employment by industry for workers in the study area is presented in Chart 8.1.



Over one fifth of workers in the study area are professionals (22.9%), followed by community and personal service workers (13.0%) and managers (12.4%). The occupation of workers in the study area is presented in Chart 8.2.



The above profile may be used to indicate possible demand for commercial office space in the study area. For analysis purposes, office-based workers can be defined as workers in the industries and occupations as listed below:

- Industries:
 - Information media and telecommunications,
 - Financial and insurance services,
 - Rental, hiring and real estate services,
 - Professional, scientific and technical services,
 - Administrative and support services,
 - Public administration and safety,
 - Education and training, and
 - Health care and social assistance;

- Occupations:
 - Managers,
 - Professionals, and
 - Clerical and administrative workers.

It is noted that some proportion of workers in the education/training and health care/social assistance industries work in hospitals, communities or universities, schools and other educational campus, who may not require space typically defined as commercial office space. In this case, measures have been applied to adjust the forecasts of office-based workers in these two sectors.

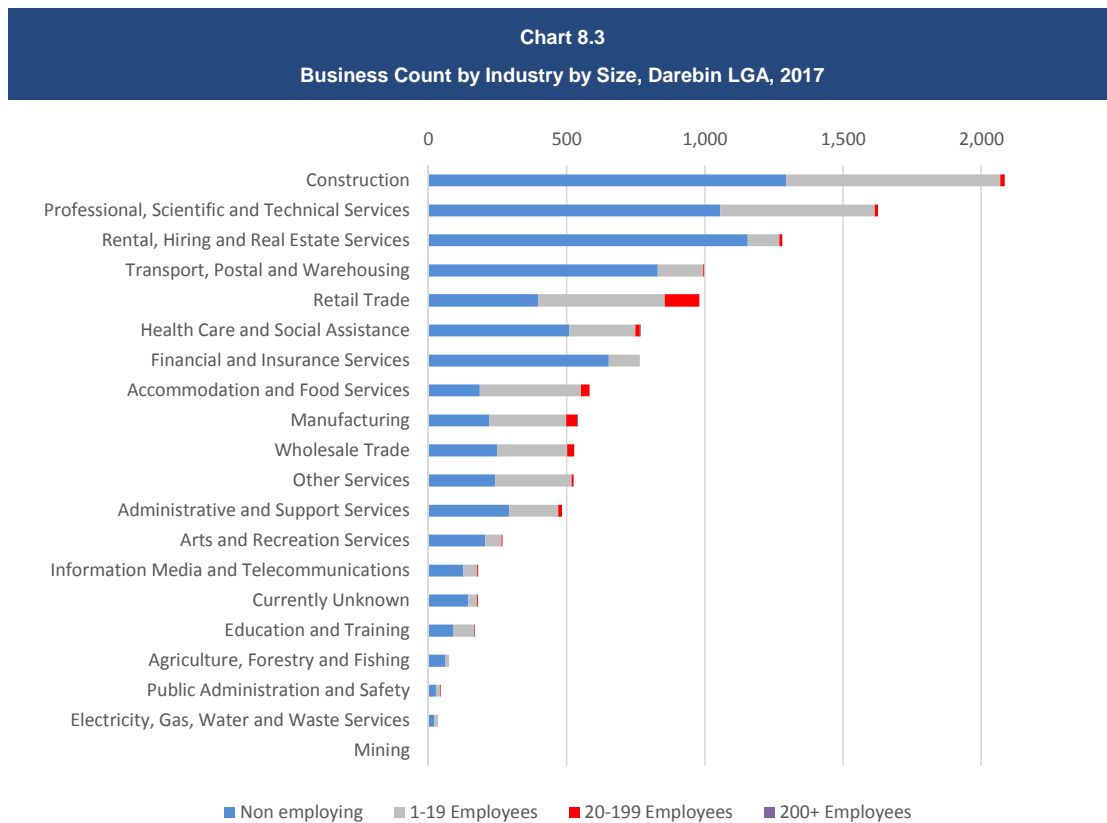
Based on this definition, current office-based workers in the study area is estimated at approximately 10,429 persons or 20.7% of total workers.

Business/enterprise count

At 2016 there were a total of 12,119 businesses operating within the study area. Of all the local businesses, 17.2% were in construction, followed by 13.4% in professional, scientific and technical services, and 10.6% in rental, hiring and real estate services. In total, the office-based industries (as defined above) account for around 44% of all businesses in the study area.

The majority of the local businesses appear to be SMEs. According to ABS, non-employing businesses and small businesses (i.e. 1-19 employees) represent up to 97% of the total. Among these SMEs, the office-based industries represent 44.5% of all SMEs, particularly in professional, scientific and technical services (13.7%) and rental, hiring and real estate services (10.8%). Most medium to large office-based businesses (i.e. 20-199 employees and 200+ employees) are in health care and social assistance, followed by administrative and support services.

Business counts by industry and by size for the study area are presented in Chart 8.3.



Source: ABS 8165

With almost half of all local businesses being office-based, the demand for office space is likely to be predominantly driven by SMEs who may require small floorplates (i.e. 50 sq.m to 100 sq.m). Demand for larger floorplates will most likely come from health care, administrative and support services.

8.5 Office floorspace potential

Our high-level assessment indicates the following potential for commercial office space in the study area:

- Current office space stock in the study area is mostly commercial shopfronts in activity centres, which are usually smaller scale and lower quality, and there is very limited provision of prime office stock. However the inner and middle-ring suburbs in Northern Melbourne region have seen emerging small scale shared office/co-working spaces, presenting some levels of unmet demand for office space with better quality, small-scale, flexible format and adequate office equipment and amenities.
- Over one fifth of workers and almost half of local businesses (particularly SMEs) have a requirement for commercial grade office space or equivalent in the study area. Demand for office space is likely to be predominantly driven by local SMEs requiring small floorplates (i.e. 50 sq.m to 100 sq.m) whilst demand for larger floorplates will most likely come from larger health care, administrative and support services based industries.

The subject site is situated within immediate proximity to public transport and easy access to a number of arterial roads. The proposed mixed-use redevelopment planned at the subject site will attract significant weekday/weekend visitation to the area. With Centrelink offices located at the subject site, this presents some level of potential for commercial office space to capture part of the unmet demand for small-scale strata-format office space from local SMEs within the study area through the follows:

- Strong access to arterial roads, public transport, the airport and the CBD,
- Co-location of like tenancy groups,
- Small floorplates,
- Multi-format/reconfigurable/flexible tenancies,
- Shared/co-working spaces,
- Secured working environment and parking, and
- Retail and public realm linkages.

The following assumptions have been made to estimate the potential office floorspace demand in the study area and in the context of the subject site:

- The number of workers will grow in line with forecast population growth through to 2031;
- The current employment servicing ratio remains fixed at 0.32 jobs per resident;
- The current share of office workers remains fixed at 20.7%;
- The office floorspace requirement averages at 20 sq.m per worker with some variations for certain cases.

Based on the above assumptions, it is estimated that the theoretical demand for additional office floorspace is **approximately 52,130 sq.m GFA in the study area by 2031**.

Given the strategic location, the subject site is well positioned to absorb a portion of this theoretical demand. Considering the availability of commercial land, clusters of current office stock (including co-working space), possible future pipeline in the study area, and the subject site's locational advantages and proposed mixed-use redevelopment, an up to 10%-15% market share of forecast study area demand is assumed for the subject site. **This indicates there may be an opportunity for the subject site to provide up to approximately 5,200-7,800 sq.m of office GFA.** The theoretical office floorspace demand for the study area and the subject site is presented in Table 8.2. This assumes that quality office space is provided at the subject site and that office tenants can be attracted to the development.

Table 8.2: Theoretical Office Floorspace Demand, 2016-31

	2016	2031	2016-31
Darebin (C)			
Population Growth	155,022	193,768	38,746
Employment Servicing Ratio (job/person)			0.32
Workers Growth	50,381	62,974	12,592
Office Workers (%)			20.7%
Office Workers Growth	10,429	13,035	2,606
Office Floorspace Ratio (sq.m GFA/worker)			20.0
Additional Office Floorspace Demand (sq.m GFA)			52,130
Subject Site			
Potential Market Share Assumed			10%-15%
Potential Office Floorspace Demand (sq.m GFA)			5,213-7,819

Source: ABS 3218, ABS Census 2016, VIF 2016, City of Sydney Floor Space and Employment Survey 2017, MacroPlan

Section 9: Economic impacts consideration

This section outlines the potential economic benefits and impacts that can be anticipated following the redevelopment of Preston Market.

9.1 Employment stimulus

This sub-section provides estimates of the employment levels likely to be created by the redevelopment of Preston Market. The methodology used in estimating the number of potential new jobs at the centre is regularly used in retail economic impact assessments. The purpose is to provide a general indication of the number of jobs potentially created from the development.

Table 9.1 details the employment likely to be created by the Preston Market development, with the broad potential amount of workers based on industry standards for each type of proposed use. Based on the amount and nature of floorspace to be included in the proposed development, it is estimated **that approximately 765 additional ongoing direct retail/non-retail/entertainment jobs would be created at Preston Market** (including both full time and part time employees). This figure represents the indicative potential amount of additional jobs to be created within the Preston Market precinct, excluding the existing workers at the Aldi supermarket and those currently working at Preston Market.

The proposed office component at the Preston Market redevelopment will also result in additional workers within the precinct (further to workers at Centrelink). For example, **5,000 sq.m of office/commercial floorspace could accommodate around 250 - 330 workers**, based on 1 worker per 15 - 20 sq.m of office floorspace or 50 - 67 workers per 1,000 sq.m. An office component at Preston Market will support a strong employment cluster in the Preston Activity Centre, which can create mutually beneficial conditions for the area, with office workers supporting strong retail facilities and the retail/market facilities providing an attractive atmosphere for workers.

Preston Market currently comprises around 120 tenancies, most of which are stalls within the fresh food market. Based on industry standards and the amount and types of stall currently present within Preston Market, which is detailed in the previous Table 1.1, we estimate that there are around 300 workers currently employed at Preston Market, including at the Aldi supermarket. Together with the non-retail components, including the Centrelink offices, there are an estimated 360 workers on site.

In total, it is estimated that the redeveloped Preston Market precinct can support around 1,000 – 1,100 additional jobs, or around 1,400 jobs in total including existing jobs on site. This represents a fourfold increase in the potential number of direct jobs on site post redevelopment compared with current number of estimated jobs on site.

Table 9.1
Preston Market - estimated additional employment levels*

Type of use	Estimated employment per '000 sq.m	Preston Market	
		GLA (sq.m)	Employment (persons)
<u>Traditional retail centre</u>			
Supermarket ¹	40	3,800	152
Mini-majors	25	3,200	80
Retail specialty shops	50	5,000	250
Non-retail shopfront facilities	45	<u>500</u>	<u>23</u>
Total traditional retail centre		12,500	505
Large format retailers	15	5,000	75
<u>Entertainment precinct</u>			
Cinema (5 screens)	10	2,000	20
Other entertainment	15	2,000	30
Dining precinct	40	<u>750</u>	<u>30</u>
Total entertainment precinct		4,750	80
<u>Other non-retail facilities</u>			
Fitness centre/wellbeing uses	15	1,200	18
Medical centre/allied health	30	1,000	30
Childcare centre	50	700	35
Bank/financial services	45	<u>500</u>	<u>23</u>
Total other non-retail facilities		3,400	106
Total retail,non-retail and entertainemnt		25,650	765
Office space	57	5,000	285
Total potential additional employment		30,650	1,050

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

1. Excludes Aldi supermarket

Source: Salta Properties; MacroPlan Dimasi

9.2 Economic and social benefits

The proposed redevelopment of Preston Market is likely to result in a range of economic implications. From a trading point of view, impacts may be experienced by some competitive facilities located in the surrounding region, and the likely extent of the trading impacts is considered further later in the report. On the other side of the equation, the proposed development will result in a range of economic benefits, particularly for residents of the trade area. The key positive impacts will include the following:

1. Serving the retail needs of the growing trade area population

The resident population of the main trade area is estimated at around 160,000 at mid-2018, and is projected to increase to 186,000 by mid-2026, an increase of over 26,000 people over the next 8 years. This substantial increase in population will demand additional retail floorspace. As detailed in the previous Table 4.2 this projected growth is estimated to create the demand for an additional 37,700 sq.m of retail floorspace within the Preston Activity Centre at 2026. The subject site presents an excellent opportunity to serve the growing retail needs of existing and future trade area residents.

2. Improving shopping choice and providing for the retail shopping needs of local residents and workers

Preston Market is planned to include a full scale Coles supermarket and numerous retail specialty stores, in addition to the existing Aldi supermarket and fresh food market facilities, in a highly exposed, convenient and easily accessible location. The proposed centre would provide the only Coles supermarket within the surrounding area, which would greatly improve shopping choice and convenience for local residents and workers. The centre will be able to serve the non-food and food shopping needs of the local population, ensuring they are able to undertake their shopping in a modern, convenient and easily accessible shopping centre. It will also result in increased competition for the benefit of consumers, by providing another supermarket in the area which currently includes only Woolworths and Aldi stores.

3. Reduce travel time for the local community

As the proposed development is to be anchored by a full range Coles supermarket together a broad range of other uses, local residents would not need to travel outside the local area to access these retail facilities. This would reduce the travel time for local residents to undertake their weekly shopping needs.

4. Strengthen the status of Preston Activity Centre at a key retail precinct

The Preston Activity Centre currently provides a Woolworths supermarket, an Aldi supermarket, Preston Market and a range of specialty stores, mainly focused around food catering. Increasingly, activity centres need to include quality, leading retailers as anchors to ensure visitation levels can be maintained or increased. With many of the nearby shopping centres providing a broad range of retailers, without significant investment Preston Market may lose its appeal as a key shopping destination in the area. In particular, the existing market has not been refurbished for a number of years and appears quite dated.

The proposed redevelopment of Preston market would significantly add to the range of retail anchors within the Preston Activity Centre, and would greatly improve the amenity of the activity centre. It would provide a new, modern and well-presented retail facility in the local area, anchored by redeveloped Market as well as Coles and Aldi supermarkets, and would be well placed to meet the needs and expectations of residents. Furthermore, the development of a major retail facility at the subject site would cement the Preston Activity Centre as a major shopping precinct in the region.

5. Creating local employment opportunities

As previously detailed, the redevelopment of Preston Market would create a number of jobs, both for the construction and related industries during the construction phase, and ongoing retail jobs when the centre is completed. We estimate a fourfold increase in the potential number of direct jobs on site post redevelopment compared with current number of estimated jobs on site.

9.3 Consideration of trading impacts

The purpose of an impact assessment is to provide guidance as to whether or not there is likely to be a net community benefit or disbenefit from any proposed development. In particular, if there is a real possibility of some existing facilities potentially being impacted to such a degree that they may be lost to the community and if the service or services provided by those facilities are not at the very least replaced by the proposed new facilities, then a community disbenefit could result.

In order to understand whether any particular centre may be impacted to the extent that its continued viability may be in question, we have estimated specific impacts that we expect across the surrounding competitive network once Preston Market is redeveloped. These estimates provide indications as to whether the scale of the proposed retail development is reasonable and whether any surrounding centres are likely to be at risk to the extent that the community would suffer a net disbenefit, attributable to the proposed retail development.

In considering likely trading impacts on any individual centre or individual retailer, it must first be acknowledged that such estimation can only realistically expect to provide a broad indication of likely outcomes, since there are many factors which can change in response to any new retail development, and which will have a bearing on the consequent outcomes. The competitive response of each relevant centre or trader is one such factor, as are further redevelopments/improvements which one or more of the competitive network of centres might implement.

A number of factors need to be taken into account in determining the likely broad trading impacts and subsequent consequences arising from the proposed centre on other retail facilities in the surrounding region. The following analysis presents an indicative projection of the anticipated impacts on other shopping centres in the surrounding area. Such projections can be considered indicative only for the simple reason that it is very difficult to predict with certainty the precise impact on any one retailer or any other centre that will result from the change of retail structure serving a particular region.

It is reasonable for the purposes of an impact analysis to consider the likely broad changes in competitive circumstances, and in particular the changes in availability of retail spending for competitive centres, that can reasonably be expected to result from the redevelopment of Preston Market. These broad changes effectively set the market conditions within which the competitive centres will operate as a result of this development, and reasonable conclusions can then be drawn about the possible impacts of these broad changes in market conditions.

Traditional retail facilities

The existing Preston Activity Centre serves a large and growing catchment. The population of the primary sector, which would be the core catchment for the supermarkets located within the activity centre, is estimated at over 32,000, which is considered sufficient to support up to four full-line supermarkets. Typically for major metropolitan areas there is a full scale supermarket for every 8,000 – 10,000 residents, which is a generally accepted average adopted by most retail economists.

Therefore, it is reasonable to assert that the proposed Coles supermarket at Preston Market can be developed and will have only a moderate impact on the sales the existing supermarket operators within the Preston Activity Centre, and certainly will not affect the ongoing viability of the stores. This conclusion particularly reflects that the Preston Market and broader Preston Activity Centre draws business from an extensive area.

Table 9.2 details the estimated trading impacts on existing retail centres in the surrounding area that can be anticipated following the development of the traditional retail component at Preston Market. The table outlines the estimated sales and potential impacts for each shopping precinct located in the surrounding area. We have estimated the percentage trading impacts adopting the following methodology:

- First, as detailed previously, the sales potential of the proposed traditional retail development at Preston Market is estimated at \$86.7 million in its first year (i.e. 2020/21), excluding the estimated sales of the Aldi supermarket, given that the store is currently trading.
- The current sales for each shopping centre/precinct are then sourced, where available, from reported sales in publications such as Shopping Centre News and from the Property Council of Australia. If reported sales are not available, sales are calculated based on the retail floorspace of each centre multiplied by an appropriate turnover per sq.m. All figures are expressed in constant 2017/18 dollars and include GST.
- Potential sales for the surrounding competitive supply network in 2020/21 are estimated assuming the proposed development does not occur.
- Sales for all competitive centres as at 2020/21 are then estimated assuming the proposed development at the subject site does proceed.
- An assessment of likely trading impacts is then made by comparing the estimated sales potential for each centre, at 2020/21, with and without the proposed development.

As Preston Market draws its sales from a very wide region, as detailed previously in this report, the consequences of the traditional retail centre development in terms of impact would be that a large number of centres would potentially be impacted, however, the impacts would mostly be relatively minor. The centre which is expected to be most significantly impacted is Northland SC, with an estimated impact in the order of 5 – 6%. Northland SC is the largest shopping centre in region and according to Big Guns 2018, published by Shopping Centre News, the centre currently achieves annual sales of \$550 million. Therefore, trade area residents would be undertaking much of their shopping

at Northland SC, and it is expected that the largest proportion of the impact from the redevelopment of Preston Market will fall on the centre. Smaller impacts are projected on other retail facilities in the area such as at the Preston, Reservoir and Coburg Activity Centres.

The analysis in the Table 9.2 shows that while some retail facilities in the surrounding region are likely to experience an impact following the opening of the redeveloped Preston Market traditional retail facilities, the estimated impacts are considered to be well within the reasonable bounds of normal competition and would not threaten the viability of any of these centres. This conclusion particularly reflects that significant population growth is occurring in the trade area, and that Preston Market will draw more trade to the Preston Activity Centre. More specifically, while the existing Woolworths supermarket may experience some trading impact after a Coles supermarket is developed at the subject site, the broader development at Preston Market should contribute to additional sales across the whole activity centre.

The analysis also shows that after absorbing a one-off impact, all of the identified centres expected to be impacted by the traditional retail facilities proposed at Preston Market are estimated achieve more sales in real terms at 2021 compared with current sales, reflecting the broad draw of the Preston Market and Preston Activity Centre.

Table 9.2 Preston Market - estimated traditional retail impact on specific centres (\$M)*							
Centre	Estimated 2017/18	Estimated 2020/21		Impact 2021		Change 2018-21 (%)	
		No dev't	With dev't	\$M	%	No dev't	With dev't
Within main trade area							
Preston Activity Centre	120	133	130	-3.7	-2.8%	11.0%	7.9%
Northland SC	550	602	567	-35.0	-5.8%	9.4%	3.0%
Reservoir Activity Centre	70	76	72	-4.0	-5.3%	8.2%	2.5%
South Preston SC	65	71	68	-3.0	-4.3%	8.5%	3.9%
Coburg Hill SC	30	33	32	-1.0	-3.1%	9.0%	5.7%
Summerhill SC	90	98	93	-4.5	-4.6%	8.5%	3.5%
Polaris Town Centre	<u>60</u>	<u>65</u>	<u>63</u>	<u>-1.5</u>	<u>-2.3%</u>	<u>8.0%</u>	<u>5.5%</u>
Total within trade area	985	1,076	1,024	-52.7	-4.9%	9.3%	3.9%
Beyond trade area							
Coburg Activity Centre	220	244	233	-11.5	-4.7%	11.0%	5.8%
Northcote Plaza	135	148	141	-7.0	-4.7%	9.6%	4.4%
Barkley Square	185	204	201	-3.0	-1.5%	10.5%	8.9%
Others	<u>n.a</u>	<u>n.a</u>	<u>n.a</u>	<u>-12.5</u>			
Total beyond	n.a	n.a	n.a	-34.0			
Total**				-86.7			
*Constant 2017/18 dollars & including GST **Excludes Aldi supermarket Source: Shopping Centre News; MacroPlan Dimasi							

Large format retail facilities

The analysis in Section 3 shows that there is currently a noticeable undersupply of large format retail facilities within the immediate area surrounding Preston Market, however there are a number of larger homemaker centres located in the main trade area, namely at Northland and Bell Street to the east of Preston Market and Thomastown to the north-east.

Table 9.3 details the estimated total homemaker spending generated by the trade area population over the period from 2018 to 2031, by trade area sector. The homemaker expenditure capacity of the main trade area population is forecast to increase from \$392 million at 2018 to \$424 million at 2021 (presented in constant 2017/18 dollars, i.e. excluding retail inflation), an increase of \$32 million over the forecast period.

It is considered that around 5,000 sq.m of large format retail facilities could be supportable at Preston Market, with sales estimated at \$17.5 million at 2021. Therefore, the total sales that the large format retail component of the Preston Market redevelopment is expected to achieve will only account for some 55% of the growth in main trade area homemaker spending over the period from 2018 to 2021. In other words, the projected increase in the available homemaker market over the 3 year period is greater than the total sales potential forecast for the large format retailers at the redeveloped Preston Market.

Furthermore, the sales estimate of \$17.5 million for the potential large format retail component constitutes just 4% of the main trade area homemaker market and 1.2% of the homemaker market for the total trade area. Therefore, it can be concluded that a potential large format retail component at Preston Market of around 5,000 sq.m would have only minor implications for large format retailers in the surrounding region.

Table 9.3
Preston Market trade area - homemaker expenditure (\$M), 2018-2031*

Trade area	Forecast retail spend (\$M)				Avg. ann. growth	
	2018	2021	2026	2031	(\$M)	(%)
Primary	79	87	100	115	2.7	2.9%
Secondary sectors						
• North	90	98	110	123	2.5	2.4%
• East	69	74	82	92	1.8	2.2%
• South	107	115	128	142	2.7	2.2%
• West	<u>47</u>	<u>50</u>	<u>55</u>	<u>59</u>	<u>0.9</u>	<u>1.7%</u>
Total secondary	313	337	375	416	7.9	2.2%
Main trade area	392	424	475	530	10.6	2.3%
Tertiary sectors						
• North	208	223	251	280	5.6	2.3%
• Nth-east	206	212	221	230	1.9	0.9%
• Sth-east	103	106	110	114	0.8	0.8%
• South	111	114	118	123	0.9	0.8%
• Sth-west	214	219	227	236	1.7	0.8%
• Nth-west	<u>125</u>	<u>127</u>	<u>132</u>	<u>137</u>	<u>1.0</u>	<u>0.8%</u>
Total tertiary	967	1,001	1,059	1,120	11.8	1.1%
Total trade area	1,360	1,425	1,534	1,651	22.4	1.5%

*Constant 2017/18 dollars & including GST
Source: MarketInfo; MacroPlan Dimasi

9.4 Summary and net community benefit

The analysis in this report demonstrates that a range of economic and social benefits are likely to arise from the redevelopment of Preston Market. These include serving the retail needs of the growing trade area population; improving shopping choice for residents, workers and visitors; strengthening the status of the Preston Activity Centre; and creating local employment opportunities. The development is expected to have some trading impacts on existing facilities in the region, however, the impacts will not be such as to threaten any existing facility's ability to continue operating successfully.

In summary, the redevelopment of Preston Market will greatly enhance the shopping choice and convenience of local residents and workers, and will meet their needs in terms of offering a redeveloped Market, a full range Coles supermarket as well as a broad range of additional retail, entertainment and other non-retail facilities. The viability of existing retailers in the area will not be adversely affected by Preston Market given the rapid population occurring in the area and the broad draw of the Market and Preston Activity Centre. Some existing activity centres in the area may experience a moderate trading impact, though the potential impacts will not threaten the ongoing viability of existing retailers in the region. The redevelopment of Preston Market will drive increased visitation levels and strengthen the Preston Activity Centre overall. Therefore, it can be concluded that a net community benefit will result from the proposed development.

Section 10: Key findings and conclusions

Salta Properties is planning a major mixed-use development at the Preston Market site, which is to include a relocation of the market and a new retail centre, together with an entertainment precinct and community/commercial uses, as well as high-rise residential towers. The analysis detailed in this report shows that the site presents an excellent opportunity to provide a new retail and non-retail offer within the Preston Market Activity Centre, which will complement and support the redeveloped fresh food market facilities.

This report outlines that the subject site can support some 27,500 sq.m of retail, non-retail and entertainment floorspace, in addition to the redeveloped fresh food market facilities and some 5,000 sq.m of new office space. In particular, the addition of a substantial traditional retail component together with entertainment facilities would greatly improve the attractiveness of the Preston Market precinct and result in improved shopping choice and convenience for surrounding residents. As detailed in the case studies of other Melbourne fresh food markets, multiple supermarkets can thrive near markets. The proposed Coles supermarket at Preston Market, together with a redeveloped Aldi supermarket and the adjacent Woolworths supermarket, with combine with the fresh food market to create a major food and grocery destination which will serve a board surrounding region of northern Melbourne..

The redevelopment of Preston Market is not expected to significantly impact the broader Preston Activity Centre, or any other surrounding retail facilities. The development will result in an influx of residents, with around 2,500 apartments planned as part of the development, which will support additional retail and non-retail floorspace at the subject site, including an additional major supermarket. The expanded Preston Market offer will draw more shoppers to the area, which will also benefit broader Preston Activity Centre. The planned sky rail development and upgrade to Preston Station, located adjacent to the subject site, will also support more movement through the Preston Market precinct and increase the attractiveness of the planned facilities.