Restricted Retail Study – Craigieburn North

FINAL REPORT

Metropolitan Planning Authority
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SGS Economics & Planning

Independent insight.

SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au
Offices in Canberra, Hobart, Melbourne and Sydney

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1 INTRODUCTION

1.1 Background

As part of the Precinct Structure Planning (PSP) process for the Northern Growth Corridor, the Melbourne Metropolitan Planning Authority (MPA) and City of Hume (Council) seek to understand the potential for establishing bulky goods retail floorspace in the area.

1.2 Purpose

The main purpose of this study is to provide a high level assessment of retailing in this catchment at a formative stage in its development. The results of this study should therefore be interpreted for the purpose of planning this area in its early years. More up to date analysis should be conducted as the broader catchment evolves, particularly if actual development yields begin to differ from the projected population scenarios outlined in this report.

As a result this report focuses on:

- An update to the SGS December 2010 study, factoring in updated knowledge of planning outcomes in the north growth corridor including Hume Freeway access points and logical inclusions areas;
- Demand estimates for restricted retail / bulky goods uses within the study area, including current approvals for Merrifield, Amaroo Business Park;
- Estimated extent of restricted retail / bulky goods (floorspace m^2) which could be supported within the study area and on each of the subject sites;
- Restricted retail / bulky goods typologies best suited to each site, i.e., the bulky good hierarchy outlined in the HCC Retail Strategy.
- Recommended sites for bulky goods (by type) retailing in the study area

1.3 Structure

The remainder of this report is structured as follows:

Section 2 will detail the context for this study, including a definition of the study area, policy context and bulky goods retailing.

Section 3 contains the core demand analysis, including tables of development patterns over time and assumptions.

Section 4 includes the site assessments which form part of the analysis of the study area's future supply.

Section 5 details the main findings of this report.

A short appendix is also included for guidance on some other issues which may arise in the future.

2 CONTEXT

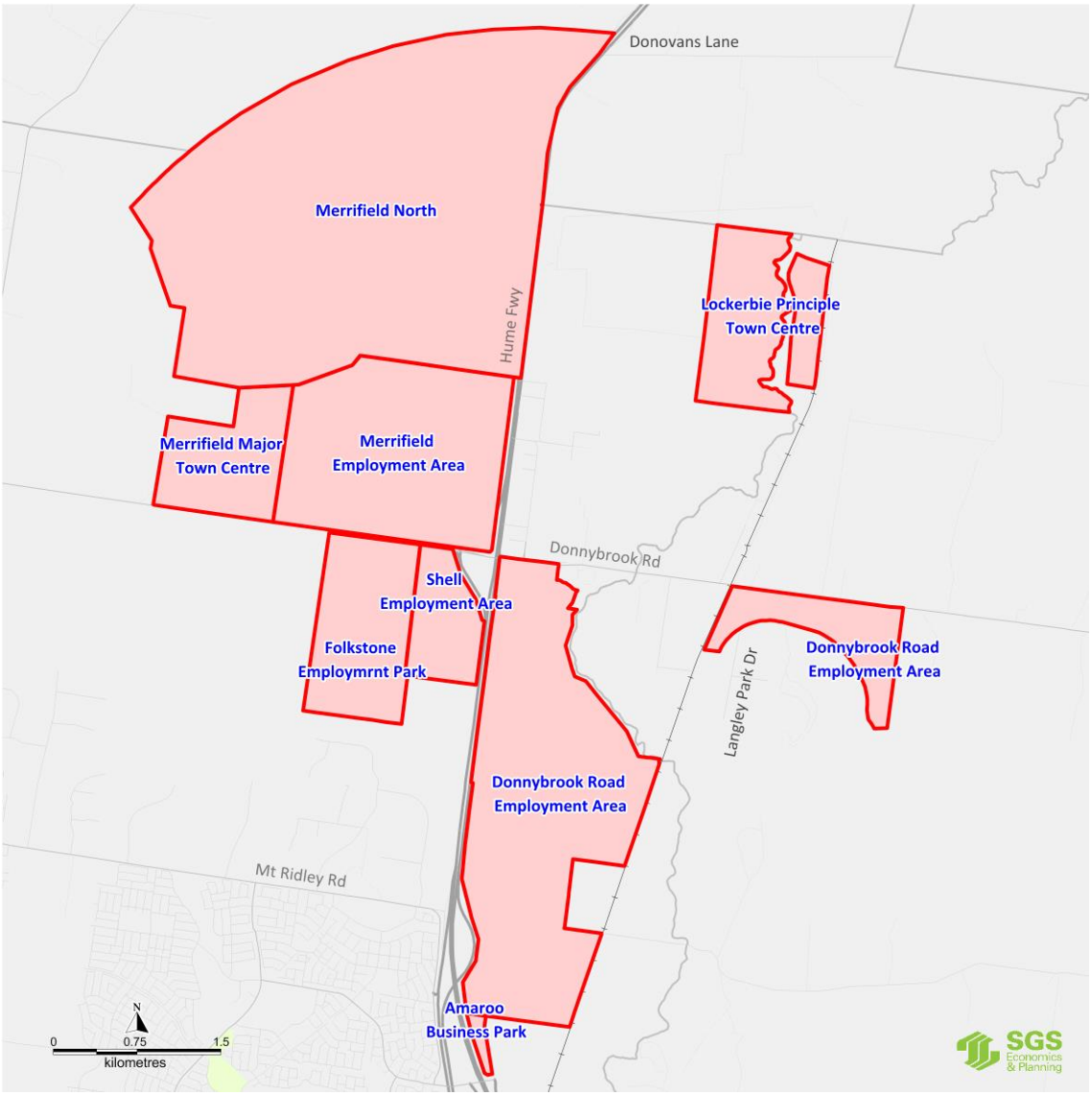
2.1 Study area

A number of locations could potentially accommodate for restricted retail / showroom uses. The areas under consideration in this study are shown in Figure 1 below. The Study Area comprises of sites and precincts to the east and west of the Hume Freeway, including:

- Future town centres (Merrifield, Lockerbie)
- Future employment/business parks (Merrifield, Donnybrook Road, Folkestone, Shell, Craigieburn, Amaroo, Merrifield North)

A Bunnings store has already been established near the junction of Amaroo Road and Hume Highway.

FIGURE 1 PRECINCTS WITHIN STUDY AREA



2.2 Bulky goods retailing

The characteristics of bulky goods retailing can be summarised as follows:

- Bulky goods shopping is an infrequent and generally high cost shopping activity, and as such consumers are generally prepared to travel longer distances for such items;
- A significant concentration of bulky goods retailers in the one specialised centre can provide consumers from a wider regional catchment with the opportunity to visit one location for comparison shopping;
- Clustering bulky goods in specialised centres provides the opportunity to provide integrated road and public transport services and shared car parking solutions; and
- Land in core activity centres, such the Craigieburn Activity Centre should be preserved for higher order uses such as commercial employment and medium density residential. Hence there is often a strong net community benefit derived from locating bulky goods into their own specialist retail centres.

This study also takes into consideration the potential land and floorspace requirements of Motor Vehicle Sales and Showrooms in the study area.

2.3 Policy context

The local government planning strategies for restricted retailing are summarised below.

City of Hume

The City of Hume has identified a need to develop a hierarchy for bulky goods retailing. The Hume Planning Scheme sets out to ensure bulky goods centres are appropriately located throughout Hume to meet the needs of existing and growing communities. The strategies to achieve this objective are:

- Distribute bulky goods activity within a hierarchy, with retailers located in centres and in a selected number of specialized regional bulky goods centres.
- Encourage smaller scale and/or higher density bulky goods to locate in designated activity centres where they are integrated in higher density urban formats.
- Support regional scale specialised bulky goods based activity centres (large scale and low intensity) that service regional catchments where it can be demonstrated that they are not appropriate in existing and planned Activity Centres.

The Hume Planning Scheme also sets out to reduce the escape of retail expenditure to other regions over time. Strategies intended to achieve this are:

- Further develop and improve the existing network of retail/activity centres in terms of service offer, functionality, accessibility, convenience and attractiveness through the development of structure plans and urban design frameworks.
- Ensure that growth areas within the Sunbury and Hume Growth Corridors are planned appropriately to ensure the provision of retailing facilities in a timely manner.
- Ensure the hierarchy of commercial centres across the Municipality takes into account transport infrastructure, current and future population growth and existing and planned retail floor space amounts.
- Encourage/ prioritise higher order retail development in Sunbury Town Centre, Craigieburn Town Centre and Broadmeadows.
- Encourage increased bulky goods and homemaker centre provision along Vineyard Road in Sunbury.

Restricted Residential Locations

The Hume Planning Scheme (HPS) sets out the promotion of development of the former Melbourne Water reservoir site at Coolaroo located on the southeast corner of Somerton and Pascoe Vale Roads as part of the Roxburgh Park Activity Centre, including encouragement to restricted retailing, other forms of 'highway retailing' and offices on Somerton Road. The land is well positioned to provide for a range of uses and development opportunities including restricted retailing, smaller scale office type uses and light industry incorporating service components.

The site's proximity to the Roxburgh Park Shopping Centre requires future use and development of the site to complement the core retail role of the Shopping Centre. It is important for Council to facilitate an appropriate mix of land uses and high quality development that is respectful of the residential interface to the west and which capitalises on the excellent exposure to Somerton Road and Pascoe Vale Road, while also being suitably buffered from any potential off-site amenity impacts from industry to the east.

Bulky Goods Locations

The Hume MSS limits retail development outside the Sunbury Town Centre to that which recognises and complements its preeminent activity centre role. Retail developments that have large floor area requirements that are dependent on high exposure and vehicle access should be located outside the retail core of the Town Centre but within the Centre.

Within this policy two precincts have been designated. Precinct 1 extends the existing large format bulky goods area north of Mitchells Lane, Sunbury along the west side of Horne Street, and continues the existing development pattern east of Horne Street along Gap Road. Precinct 2, land north of Gap Road, is in close proximity to the retail core and as such will encourage land uses that complement the retail core. Land uses that do not detract from the retail core will be encouraged and include restricted retail, commercial and office uses.

Whittlesea

The Whittlesea Planning Scheme specifies areas in the municipality where restricted retail can locate. They are the Cooper Street Employment Area, the Melbourne Wholesale Market and Epping Plaza.

The Cooper Street Employment Area Comprehensive Development Plan identifies that business and office uses such as restricted retailing should be located on the primary road network comprising Cooper Street, Edgars Road and O'Herns Road frontages rather than be located on the secondary road network.

Melbourne Wholesale Market precinct will be used by commercial activities and other land uses that are unrelated to Melbourne Wholesale Market provided that such activities and uses do not compete with the Melbourne Wholesale Market as a wholesale provider of fresh food products amongst other provisions.

The location and siting of uses other than the Melbourne Wholesale Market itself should have regard to the following principles; Commercial activity uses such as corporate headquarters, offices and commercial buildings, high technology, information technology, research and development, restricted retail and convenience shop are generally expected to locate along the major arterial road abuttals of Cooper Street and Edgars Road. These uses should incorporate high quality urban design and have active street frontages.

Epping Plaza - restricted retail uses such as major homewares outlets and auto related outlets are among a range of land uses consistent with the regional activity centre role of Epping Plaza and its designation as a principal activity centre and transit city in the *Melbourne 2030* strategy. Melbourne 2030 has been replaced by Plan Melbourne.

Activity Centres Planning - Bulky goods

Defined activity centres which are the focus for a range of shopping, employment and entertainment activities reduce the potential for inappropriate incursion of commercial uses into residential areas and increase the potential for integrated public transport provision.

Activity Centres planning in Whittlesea specifies careful delineation of the extent of commercial activity such as bulky goods retailing in association with the Epping Plaza and South Morang sites is required. Consideration of any future expansion of the Epping Plaza development will be linked to residential development in the Epping North area.

Mitchell

Mitchell Shire Planning Scheme sets out under the Commercial 2 Zone the intention to encourage commercial areas for offices, appropriate manufacturing and industries as well as bulky goods retailing, other retail uses, and associated business and commercial services and to ensure that uses do not affect the safety and amenity of adjacent, more sensitive uses.

It should be noted that under the *Wallan 3765* strategy, there is a stated intention to develop one bulky goods retail centre in Wallan once there is a sufficient level of population and expenditure in that catchment.

3 DEMAND

3.1 Catchment

The catchment for the Study Area as a specialised and regional-scale bulky goods centre is shown in Figure 22 below. This is assessed as a reasonable future catchment based on:

- The position of the Urban Growth Boundary;
- The existing and potential future network of activity centres in the region;
- The existing and potential future road network in the region; and
- The propensity for households that live on the urban fringe to shop in large centres that are located towards the city centre (i.e. inbound shopping movements).

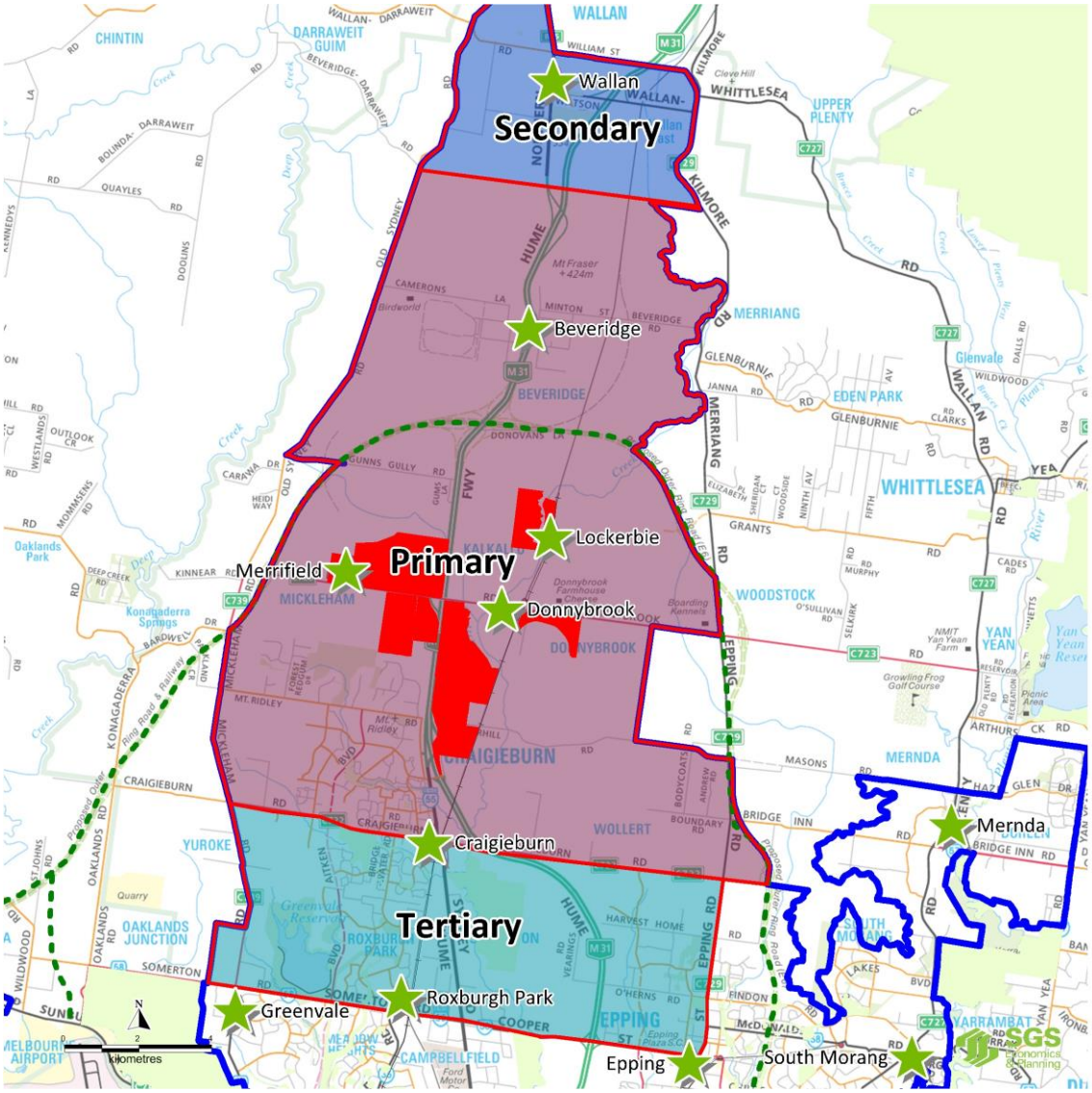
It is assessed that the Primary Trade Area of such a centre is the area generally north of Craigieburn Road (within the Urban Growth Boundary), this would include the PSP areas of Donnybrook, Merrifield and Beveridge.

A Secondary Trade Area is the Wallan PSP area. According to the Activity Centre Strategy imbedded in the Wallan 3756 Plan[1], this area is also likely to accommodate a bulky goods retail node in the future as its local population grows. Nonetheless, significant trade can sourced from this Trade Area as a significant proportion of Wallan residents are likely to regularly commute inbound towards the Melbourne CBD, increasing their propensity to visit and spend in the study area.

Finally a Tertiary Trade Area has been marked as the area generally between Craigieburn Road and Somerton Road. In the southern part of the region, an existing network of bulky goods activities is reasonably well established, and this network is expected to grow in the future.

[1] http://www.wallan3756.com.au/welcome-wallan-3756

FIGURE 2 CATCHMENT AREA



3.2 Population

Trade Area population estimates are shown in Figures 3 and 4 below. This shows that the Trade Area as a whole contained around 52,000 residents in 2011 and this is expected to increase to between 342,000 and 382,200 residents at full development.

For the purpose of this assignment, it is assumed that full development is achieved by 2051. This is an assumption.

In terms of timing of development and population growth, it is further assumed that growth occurs in a relatively linear pattern between 2011 and 2051 (the exception is where certain areas are expected to be developed before 2051). Development is unlikely to take this pattern in reality however for the purposes of this indicative assessment this assumption is used to provide a simple guide to the timing of demand.

FIGURE 3 POPULATION ESTIMATES AND PROJECTIONS (LOW POPULATION GROWTH SCENARIO)

Year	Primary Trade Area[2]			Secondary Trade Area[3]	Tertiary Trade Area[4]	Total Trade Area (Low)
	Donnybrook	Merrifield	Beveridge	Wallan	Craigieburn	
2011	1,300	-	500	9,000	41,800	52,500
2021	16,500	4,800	7,300	15,000	80,400	124,100
2031	57,200	16,100	21,100	23,400	85,600	203,300
2041	71,000	26,300	70,100	31,700	96,800	296,000
2051[5]	**72,100**	**26,300**	**86,900**	**49,800**	**107,000**	**342,000**

Source: Various - see footnotes 2 to 4

FIGURE 4 POPULATION ESTIMATES AND PROJECTIONS (HIGH POPULATION GROWTH SCENARIO)

Year	Primary Trade Area[6]			Secondary Trade Area[7]	Tertiary Trade Area[8]	Total Trade Area (High)
	Donnybrook	Merrifield	Beveridge	Wallan	Craigieburn	
2011	1,300	-	500	9,000	41,800	52,500
2021	20,000	4,900	8,500	18,000	80,400	131,800
2031	69,100	16,400	24,700	28,000	85,600	223,700
2041	85,700	26,900	82,100	38,000	96,800	329,500
2051[9]	**87,000**	**26,900**	**101,700**	**59,600**	**107,000**	**382,200**

Source: Various

3.3 Retail spending per capita

To estimate the changing patterns of retail spending, analysis was performed on retail turnover data from 1983 as published in the ABS Retail Trade publication (8501.0). This enabled an estimate of how real growth in state expenditure per capita has changed over time and is likely to change in the future. An overview of the projected retail expenditure per capita results is shown in Figure 5 below. The expenditure numbers have been adjusted for inflation by the nation-wide Consumer Price Index (CPI).

From the list of commodity groups, 'Household Goods' approximates to restricted retailing or bulky goods. This commodity group includes Furniture Retailing, Floor Coverings Retailing, Electrical, Electronic and Gas Appliances, Hardware and Building Supplies Retailing, Garden Supplies Retailing, Sport and Camping Equipment Retailing and Marine Equipment Retailing.

In recent years, Household Goods retailing has been under pressure – particularly due to the GFC and lower rates of housing construction – and this is reflected by the stagnant growth which can be observed between 2011 to 2013[10]. However there are signs that this is a cyclical issue and whilst consumer

[2] Population projections for Donnybrook, Merrifield and Beveridge were sourced from the Metropolitan Planning Authority and were cross referenced with City of Hume's numbers.

[3] Population projections for Wallan were sourced from the Shire of Mitchell's Activity Centres strategy for Wallan.

[4] Population projections for the entire Tertiary Trade Area was developed during June-July 2014 by SGS for DTPLI's transport modelling purposes. Note that we offered just one figure, as there were no low and high scenario s in our projections.

[5] 2051 is assumed to be the full development year for the purposes of this study.

[6] Population projections for Donnybrook, Merrifield and Beveridge were sourced from the Metropolitan Planning Authority and were cross referenced with City of Hume's numbers.

[7] Population projections for Wallan were sourced from the Shire of Mitchell's Activity Centres strategy for Wallan.

[8] Population projections for the entire Tertiary Trade Area was developed during June-July 2014 by SGS for DTPLI's transport modelling purposes. Note that we offered just one figure, as there were no low and high scenario s in our projections.

[9] 2051 is assumed to be the full development year for the purposes of this study.

[10] In Figure 4, retail expenditure figures are "actual" numbers between 2011 and 2013. All numbers from 2014 and beyond are projections.

confidence is likely to remain low in the near future, there are signs that this is merely a cyclical pattern. In the long term, per capita expenditure in Household Goods is still expected to grow steadily.

Note that none of these categories typically include any motor vehicle related sales/showrooms. This matter will be discussed in detail in Section 3.8.

FIGURE 5 PROJECTED REAL GROWTH IN RETAIL EXPENDITURE PER CAPITA (2013 $)

	Supermarket and Grocery Stores	Other Food	Department Stores	Clothing	Household goods	Other retail	Hospitality and services	Total
2011	$3,600	$700	$800	$1,000	$2,000	$1,800	$1,500	$11,500
2021	$4,900	$700	$600	$700	$2,300	$1,600	$1,300	$12,100
2031	$6,700	$800	$400	$800	$2,700	$1,900	$1,700	$14,700
2041	$8,400	$1,000	$300	$800	$3,000	$2,100	$2,100	$16,300
2051	**$10,200**	**$1,100**	**$100**	**$900**	**$3,400**	**$2,300**	**$2,400**	**$17,800**

Source: SGS Retail Model, ABS Retail Trade Publication 8501, ABS Household Expenditure Survey

3.4 Gross expenditure

The household goods expenditure figures shown in Figure 5 from 2011 to 2051 are applied to the population estimates shown in Figure 3 and 4 to estimate total expenditure generation from the Trade Area. The results are shown in Figures 6 and 7.

This shows that Total Trade Area spending on household goods is expected to increase from around $105.3m in 2011 to around $1,148.5m to $1,283.5m by 2051. This represents expenditure from the Trade Area residents and not necessarily capture by Trade Area businesses.

Figures 8 and 9 also show the level of household goods floorspace this level of expenditure will support over time, based on a 2011 retail turnover density (RTD) of $3,500 / sqm (and inflated in line with real expenditure inflation). This RTD is an estimate prepared by SGS for Victoria.

This shows that, in 2011, the population in the Trade Area supports about 30,335 sqm of Household Goods space across the retail economy. Based on the estimates shown in this report, this figure is expected to reach about 248,000 sqm to 277,000 sqm by 2051.

It should be noted that the RTDs can vary substantially from centre to centre. An RTD is essentially the amount of turnover per square meter of floorspace that a shop generates per year. An easy way of looking at it is if there was a rack of Plasma Televisions which took up 10 sqm. If each TV sold for $2000 and 10 were sold in a year that generates $20,000 worth of sales on average per rack. The shop's retail turnover density would be $2,000/sqm.

RTDs are an important assumption because they essentially assume that average *successful* operators earn a certain level of income for a given level of floorspace. In reality, not all businesses operate at a successful level, and in order to foster a genuinely competitive retail sector that creates incentives for competition, start-ups, innovation, and greater levels of income and employment, a higher level of floorspace is often required than what is usually recommended from a typical RTD based floorspace projection.

FIGURE 6 HOUSEHOLD GOODS EXPENDITURE AND FLOORSPACE (LOW POPULATION GROWTH SCENARIO)

Year	Primary		Secondary		Tertiary		Low Growth Total		RTD
	Expenditure	Floorspace	Expenditure	Floorspace	Expenditure	Floorspace	Expenditure	Floorspace	
2011	$3,567,500	1,000	$18,014,000	5,200	$83,723,200	24,100	$105,304,700	30,300	$3,500
2021	$65,282,900	17,100	$34,267,800	9,000	$183,414,100	48,000	$282,964,800	74,100	$3,800
2031	$250,049,000	60,700	$61,939,800	15,000	$226,764,500	55,100	$538,753,300	130,900	$4,100
2041	$503,059,900	114,700	$95,292,800	21,700	$290,821,600	66,300	$889,174,300	202,800	$4,400
2051	**$622,175,000**	**134,200**	**$167,075,300**	**36,000**	**$359,284,800**	**77,500**	**$1,148,535,100**	**247,700**	**$4,600**

FIGURE 7 HOUSEHOLD GOODS EXPENDITURE AND FLOORSPACE (HIGH POPULATION GROWTH SCENARIO)

Year	Primary		Secondary		Tertiary		High Growth Total		RTD
	Expenditure	Floorspace	Expenditure	Floorspace	Expenditure	Floorspace	Expenditure	Floorspace	
2011	$3,567,500	1,000	$18,014,000	5,200	$83,723,200	24,100	$105,304,700	30,300	$3,500
2021	$76,175,200	20,000	$41,052,500	10,800	$183,414,100	48,000	$300,641,800	78,700	$3,800
2031	$291,963,200	70,900	$74,203,200	18,000	$226,764,500	55,100	$592,930,900	144,000	$4,100
2041	$584,964,100	133,400	$114,159,800	26,000	$290,821,600	66,300	$989,945,500	225,800	$4,400
2051	**$724,065,700**	**156,200**	**$200,154,500**	**43,200**	**$359,284,800**	**77,500**	**$1,283,505,000**	**276,800**	**$4,600**

3.5 High and low density restricted retail

The Household Goods expenditure category can be delineated by high and low density offerings. Higher density household goods stores can often be found in closer proximity to town centres and may even act as indirect competitors to Discount Department Stores and specialty stores. Low density household goods stores on the other hand, are more likely to be found near major arterials. Assumptions regarding the apportionment of product types are shown below in Figure 8.

FIGURE 8 APPORTIONMENT OF HIGH AND LOW DENSITY RETAIL BY PRODUCT TYPE

	Product Category		Low Density	High Density
0701	**Furniture and floor coverings**			
	0701010201	Bedroom furniture	100%	0%
	0701010301	Lounge/dining room furniture	100%	0%
	0701010401	Outdoor/garden furniture	100%	0%
	0701010501	Other furniture	100%	0%
	0701010601	Carpets	100%	0%
	0701010701	Floor rugs, mats and matting	100%	0%
	0701010801	Vinyl and other sheet floor coverings	100%	0%
	0701010901	Floor tiles	100%	0%
	0701011001	Other floor coverings	100%	0%
0702	**Blankets, household linen and household furnishings**			
	0702010101	Bed linen	40%	60%
	0702010201	Blankets and travelling rugs	40%	60%
	0702010301	Bedspreads and continental quilts	40%	60%
	0702010401	Pillows and cushions	40%	60%
	0702010501	Towels and face washers	40%	60%

	0702010601	Table and kitchen linen	40%	60%
	0702010701	Curtains	60%	40%
	0702010801	Blinds	60%	40%
	0702010901	Other household textiles	40%	60%
	0702019999	Household linen and furnishings (excluding ornamental) nec	40%	60%
	0702020101	Paintings, carvings and sculptures	40%	60%
	0702029999	Ornamental furnishings nec	40%	60%
0703	**Household appliances**			
	0703010101	Cooking stoves, ovens, microwaves, hot plates and ranges	50%	50%
	0703020101	Refrigerators and freezers	50%	50%
	0703020201	Washing machines	50%	50%
	0703020301	Air-conditioners	50%	50%
	0703020401	Dishwashers	50%	50%
	0703020501	Clothes dryers	50%	50%
	0703029999	Whitegoods and other electrical appliances nec	50%	50%
	0703030101	Non-electrical household appliances	50%	50%
0704	**Glassware, tableware, cutlery and household utensils**			
	0704010101	Tableware	20%	80%
	0704010201	Glassware	20%	80%
	0704010301	Cutlery	20%	80%
	0704010401	Cooking utensils	20%	80%
	0704010501	Cleaning utensils	20%	80%
	0704019999	Glassware, tableware, cutlery and household utensils nec	20%	80%
0705	**Tools and other household durables**			
	0705010101	Lawnmowers (including electric)	80%	20%
	0705010201	Gardening tools	80%	20%
	0705010301	Other hand and power tools	80%	20%
	0705019901	Mobile phones	5%	95%
	0705019902	Telephone handset (purchase)	5%	95%
	0705019904	Answering machines	5%	95%
	0705019999	Tools and other household durables nec	50%	50%

Source: ABS Household Expenditure Survey 09-10

Based on these assumptions, it has been calculated that 65% of total household goods expenditure can be captured in low density retail precincts and stores, whilst the other 35% of household goods expenditure should be allocated to high density precincts and stores.

If the total expenditure of this catchment by 2051 is $1,148.5m to $1,283.5m, then $746.5m to $834.3m will be expended in low density stores and $400.9m to $449.2m will be expended in high density stores.

This however only represents the proportion of expenditure, not floorspace. To determine the floorspace proportions, a separate set of RTD assumptions need to be applied to low and high density restricted retail outlets. These RTD assumptions are tabulated below in Figure 9. Note that the base low and high density RTDs are variations on the standard RTD, with the same RTD growth rates applied over time. As the low density restricted retail possesses a lower RTD, it will in essence occupy a higher proportion of floorspace than its proportion of expenditure.

FIGURE 9 RTD ASSUMPTIONS FOR HIGH AND LOW DENSITY RESTRICTED RETAIL

	Household Goods – Standard RTD	Household goods – Low Density RTD	Household goods – High Density RTD
2011	$3,500	$3,300	$4,000
2021	$3,800	$3,600	$4,300
2031	$4,100	$3,900	$4,700
2041	$4,400	$4,100	$5,000
2051	**$4,600**	**$4,300**	**$5,300**

Regional Demand

Figures 10 and 11 combine expenditure and RTD assumptions to produce total floorspace requirements generated by the trade areas based on low and high density retailing.

FIGURE 10 GROSS FLOORSPACE REQUIREMENTS – LOW GROWTH

	LOW DENSITY			HIGH DENSITY		
Year	Total Expenditure	RTD	Total Floorspace	Total Expenditure	RTD	Total Floorspace
2011	$68,400,000	$3,300	20,700	$36,900,000	$4,000	9,200
2021	$183,900,000	$3,600	51,100	$99,000,000	$4,300	23,000
2031	$350,200,000	$3,900	89,800	$188,600,000	$4,700	40,100
2041	$578,000,000	$4,100	141,000	$311,200,000	$5,000	62,200
2051	**$746,500,000**	**$4,300**	**173,600**	**$402,000,000**	**$5,300**	**75,800**

FIGURE 11 GROSS FLOORSPACE REQUIREMENTS – HIGH GROWTH

	LOW DENSITY			HIGH DENSITY		
Year	Total Expenditure	RTD	Total Floorspace	Total Expenditure	RTD	Total Floorspace
2011	$68,400,000	$3,300	20,700	$36,900,000	$4,000	9,200
2021	$195,400,000	$3,600	54,300	$105,200,000	$4,300	24,500
2031	$385,400,000	$3,900	98,800	$207,500,000	$4,700	44,200
2041	$643,500,000	$4,100	156,900	$346,500,000	$5,000	69,300
2051	**$834,300,000**	**$4,300**	**194,000**	**$449,200,000**	**$5,300**	**84,800**

Total trade area needs for low density restricted retail will be **173,600 sqm to 194,000 sqm**. This is comprised of:

	PTA	STA	TTA
2051 Gross Floorspace	94,100 to 105,100 sqm	25,200 to 28,200 sqm	54,300 to 60,700 sqm

Total trade area needs for high density restricted retail is **75,800 sqm to 84,800 sqm**. This is comprised of:

	PTA	STA	TTA
2051 Gross Floorspace	41,100 to 45,900 sqm	11,000 to 12,300 sqm	23,700 to 26,500 sqm

Note that the expenditure numbers in Figures 6 and 7 have been used to apportion demand across the three trade areas.

3.6 Expenditure capture

This section explains the rationale behind determining net expenditure that can be captured by the study area. Expenditure capture should comprise:

PTA expenditure capture + Expenditure injections (from STA & TTA)

{Formula A}

For the purposes of clarity, all floorspace figures used are for 2051 (end scenario).

Escape expenditure

For the purpose of this project, it is assumed that the long term capture of household goods expenditure within the Primary Trade Area of the region will grow to 90% (in net terms). This makes for a **10% escape expenditure** allowance at full development in order to recognise the outer urban position of the area and role of central metropolitan centres.

Net PTA floorspace capture for low density restricted retail is therefore **84,700 sqm to 94,600 sqm**. Net PTA floorspace capture for high density restricted retail is then **37,000 sqm to 41,300 sqm**.

Expenditure injections

Some expenditure will also be injected into this study area from the Secondary Trade Area and the Tertiary Trade Area.

Secondary Trade Area

The Secondary Trade Area will also see 10% of its expenditure leave the region.

Wallan is likely to possess its own bulky goods precinct by the time all areas are developed. So the remaining 90% of expenditure will need to be apportioned across seven centres (one in Wallan, six in the study area covered by this report). A bulky goods centre in Wallan is assessed to be potentially capable of attracting twice the level of expenditure from the Secondary Trade Area as a centre in Donnybrook, Merrifield or Beveridge. On this basis it is determined that 67.5% expenditure from the Secondary Trade Area will be captured by the six study area precincts.

Hence Net STA floorspace injection for low density restricted retail is therefore **17,000 sqm to 19,000 sqm**. Net STA floorspace injection for high density restricted retail is **7,400 sqm to 8,300 sqm**.

Tertiary Trade Area

For the Tertiary Trade Area, a minimal amount of floorspace can be captured given the TTA is located further 'inbound' than the study area precincts. Collectively, the six centres in the study area should only be able to attract 5% of Tertiary Trade Area expenditure.

Hence Net TTA floorspace injection for low density restricted retail is therefore **2,700 sqm to 3,000 sqm**. Net TTA floorspace injection for high density restricted retail is **1,200 sqm to 1,300 sqm**.

Total Injections

Total floorspace injections for low density restricted retail is therefore **19,700 sqm to 22,000 sqm**. Total floorspace injection for high density restricted retail is **8,600 sqm to 9,600 sqm**.

3.7 Net trade area floorspace

Applying these injections and escape expenditures to Formula A:

	Low Density		High Density	
	Low Growth	High Growth	Low Growth	High Growth
PTA capture	84,700	94,600	37,000	41,300
STA injection	17,000	19,000	7,400	8,300
TTA injection	2,700	3,000	1,200	1,300
Net Floorspace	**104,400**	**116,600**	**45,600**	**50,900**

3.8 Final adjustments

Finally there are two other adjustments to note:

1. Not all household goods are guaranteed to be sold within bulky goods centres. Some goods can be sold in other stores typically located within standard shopping centres or strip malls. This would ultimately reduce the demand for Household Goods floorspace in the trade area. Generally the reduction is more pronounced in established urban settings where large sites are often difficult for bulky goods retailers to acquire, leading to an undersupply of floorspace which is met by specialty stores in Activity Centres. This is less likely to occur in growth area settings where large sites should be in abundance and be relatively cheaper to acquire. Furthermore, bulky goods floorspace is often supply in or adjacent to Activity Centres, further reducing the incentive for specialty shops to sell bulky goods. **Hence for the purposes of this study, this adjustment will only comprise a 2% reduction**.

2. Depending on the number and types of businesses that are attracted to the area, there could be some level demand for household goods floorspace from businesses. This would ultimately increase the demand for Household Goods floorspace in the trade area. Note that given the relative uncertainty about the type of jobs which can be attracted to the area, this issue should be treated with caution. **A cautious 10% addition to Bulky Goods floorspace is considered to be reasonable at this early stage**. If the region's economy is particularly successful at attracting manufacturing, wholesale and logistics businesses, this adjustment could rise to 15%.

The net result of the two adjustments are presented below:

	Low Density		High Density	
	Low Growth	High Growth	Low Growth	High Growth
PTA capture	91,500	102,200	40,000	44,600
STA injection	18,400	20,500	8,000	9,000
TTA injection	2,900	3,200	1,300	1,400
Net Floorspace	**112,800**	**125,900**	**49,200**	**55,000**

3.9 Implications

On the basis of these findings, SGS recommends that retailing in this study area should accommodate the following levels of floorspace:

FIGURE 12 FINAL FLOORSPACE DEMAND ESTIMATES

	Floorspace (sqm)		Land Area (ha)	
	Low	High	Low	High
High Density Bulky Goods	49,200	55,000	16.4	18.3
Low Density Bulky Goods	112,800	125,900	37.6	42.0
Total	**162,000**	**180,900**	**54.0**	**60.3**

High density restricted retailing can generally be accommodated in close proximity to Activity Centres, whilst low density restricted retailing should be directed into highway/freeway precincts with strong exposure. On the basis of this dichotomy between Activity Centre and non-Activity Centre restricted retailing, the following can be gleaned:

FIGURE 13 FINAL DEMAND ESTIMATES – ACTIVITY CENTRE VS NON AC

	Floorspace (sqm)		Recommended Number of Centres	Floorspace per centre
	Low	High		
Activity Centre Bulky Goods (High Density)	49,200	55,000	2	24,600 to 27,500
Low Density Bulky Goods	112,800	125,900	4	28,200 to 31,500

4 SUPPLY

4.1 Existing supply provisions

The report should firstly account for existing provision before new sites are identified. These are:

- Craigieburn Town Centre (12,000 sqm)
- Bunnings north of Amaroo Road (15,000 sqm)

Demand projections should then account for sites already identified for bulky goods retailing. These areas would be:

- extension to Craigieburn Town Centre (8,000 sqm)
- land adjacent to Bunnings between the Hume Freeway and Hume Highway, north of Amaroo Road (15,000 sqm)
- land south of Amaroo Road between the Hume Freeway and Hume Highway (35,000 sqm)

Collectively, these can be summarised as allocated demand and are shown below:

FIGURE 14 ALLOCATED DEMAND

Centre	Existing provisions (sqm)	Floorspace already identified (sqm)	Total allocated demand (sqm)
Craigieburn Town Centre	12,000	8,000	20,000
Total Activity Centre Bulky Goods (High Density)	**12,000**	**8,000**	**20,000**
Bunnings north of Amaroo Road	15,000		15,000
Land adjacent to Bunnings between the Hume Freeway and Hume Highway, north of Amaroo Road		15,000	15,000
Land south of Amaroo Road between the Hume Freeway and Hume Highway		35,000	35,000
Total Non-Activity Centre Bulky Goods (Low Density)	**15,000**	**50,000**	**65,000**

If these allocated demand figures are then subtracted from the floorspace estimates presented in Figure 13, we can determine the residual unmet demand which needs to be supplied for. This is shown in Figure 15.

FIGURE 15 RESIDUAL UNMET DEMAND

Centre	Total demand (sqm)	Total allocated demand (sqm)	Residual unmet demand (sqm)
Activity Centre Bulky Goods (High Density)	49,200 to 55,000	20,000	29,200 to 35,000
Low Density Bulky Goods	112,800 to 125,900	65,000	47,800 to 60,900

It is recommended that the residual unmet demand be distributed as follows:

FIGURE 16 DISTRIBUTION OF RESIDUAL UNMET DEMAND

Centre	Residual unmet demand (sqm)	Recommended Number of Centres	Floorspace per centre
Activity Centre Bulky Goods (High Density)	29,200 to 35,000	1	29,200 to 35,000
Low Density Bulky Goods	47,800 to 60,900	1 or 2	47,800 to 60,900 in one centre OR 23,900 to 30,500 each across two centres

4.2 Potential supply locations

Key considerations

Eight sites in the study area have been qualitatively assessed on their potential to accommodate bulky goods retailing activity. These are listed below and mapped in Figure 18:

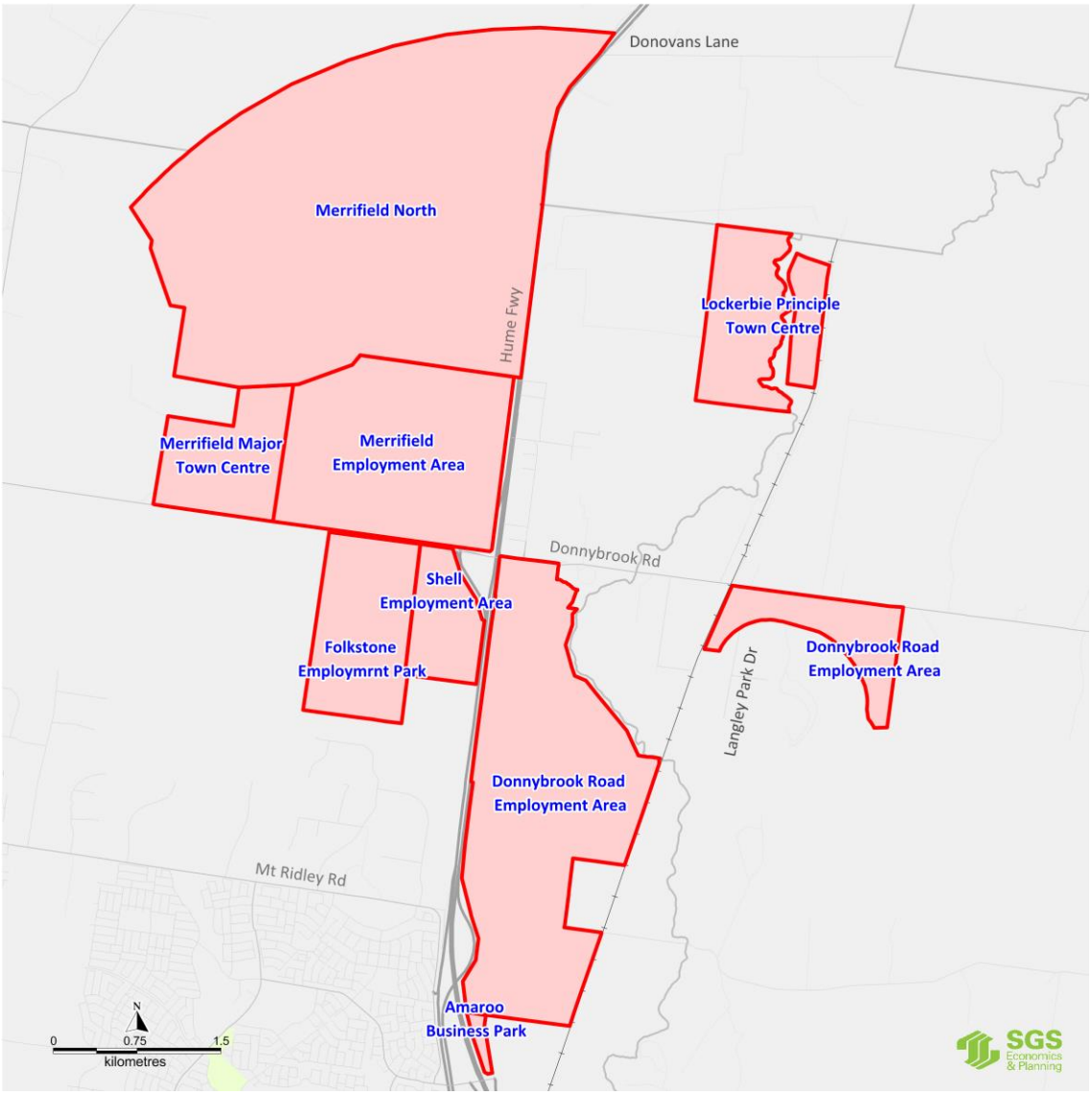
- Merrifield Major Town Centre;
- Merrifield Employment Area;
- AMP Capital/Folkestone Employment Area;
- Shell Land, Mickleham;
- Craigieburn North Employment Area;
- Amaroo Business Park;
- Donnybrook Road employment Area;
- Lockerbie Principal Town Centre.

The approximate size of these precincts are (in order from largest to smallest):

FIGURE 17 PRECINCTS BY SIZE

Sites Assessed	Approximate Size (ha)
Craigieburn North Employment Area	468.0
Merrifield Employment Area	315.0
Lockerbie Principal Town Centre	145.7
Folkstone Employment Park	144.4
Merrifield Major Town Centre	110.3
Donnybrook Road Employment Area	81.8
Shell Employment Area	68.7
Amaroo Business Park	20.3

FIGURE 18 STUDY AREA SITES WHICH WERE ASSESSED



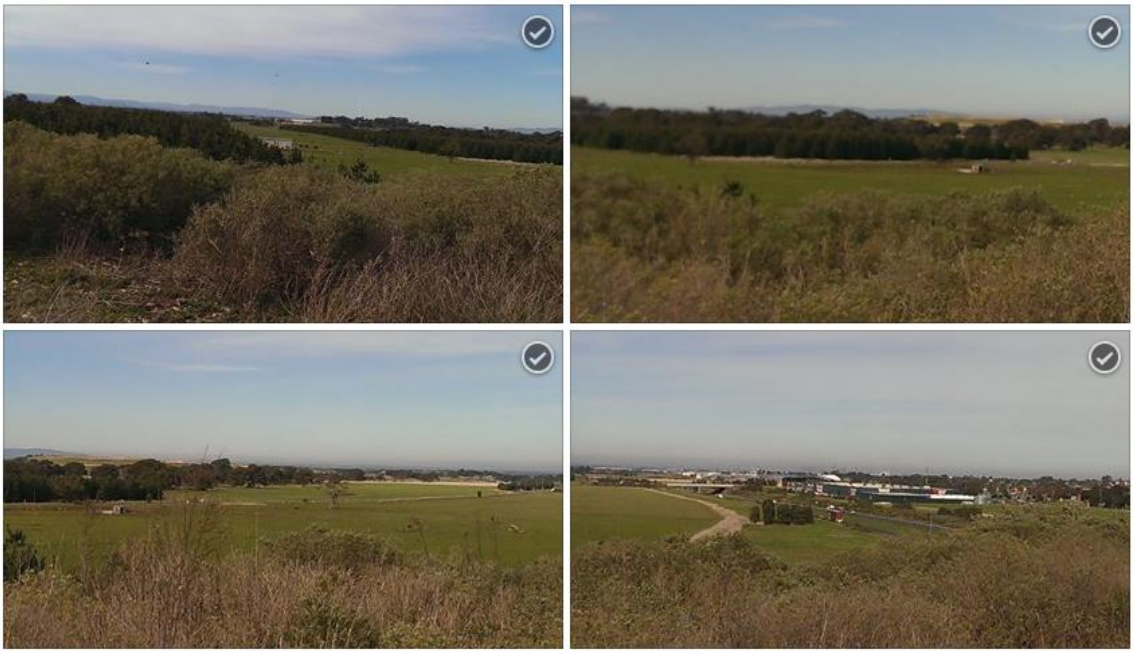
Site Assessments

The assessment criteria for the sites are listed below:

- *Location of sites relative to the defined town centre network;*
- *Accessibility to catchment / trade area – this should include a good distribution across the study area;*
- *Exposure to customers;*
- *Potential for agglomeration and integration;*
- *Impacts on prime employment land;*
- *Importance of site in stimulating investment.*

A field visit was conducted on July 23, 2014. Following pages summarise the main findings as benchmarked against the assessment criteria.

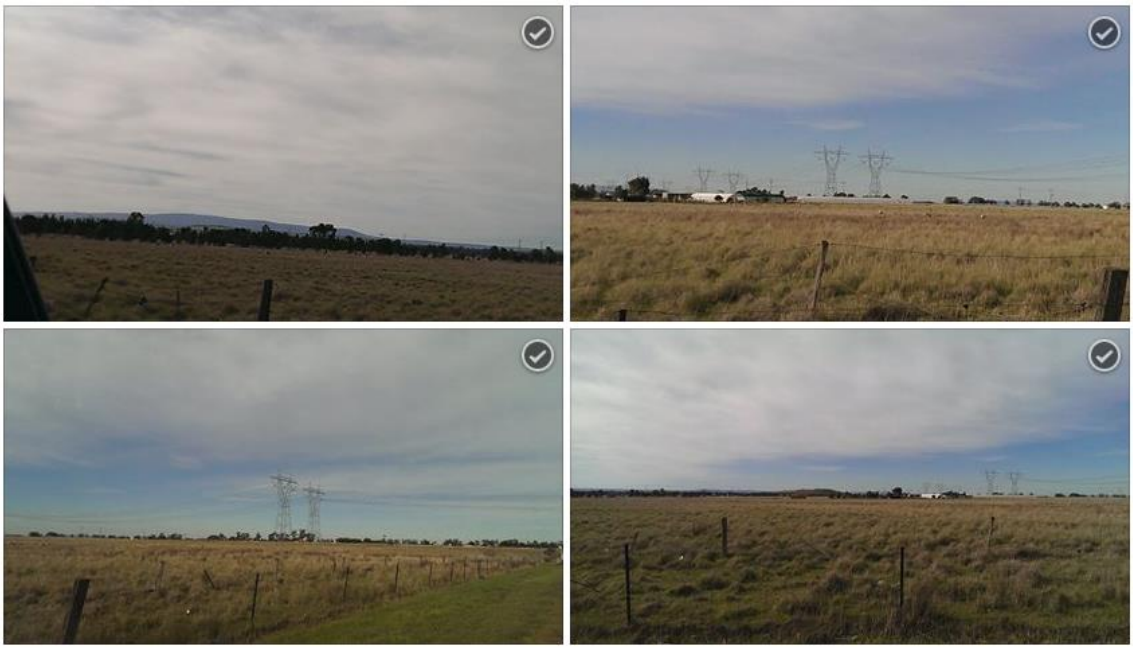
Amaroo Business Park



Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	Some proximity to Craigieburn, however this is largely an out of centre location which is also separated by Hume Freeway.	1
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Decent. Although located at the junction of two major arterials, access from those arterials to this business park is currently far from optimal.	4
Exposure to customers;	Reasonable, although visibility is slightly reduced given the manner in which Hume Freeway intersects with Hume Highway.	3
Potential for agglomeration and integration;	There is already a Bunnings adjacent to the precinct. However the precinct itself is somewhat constrained in terms of size.	3

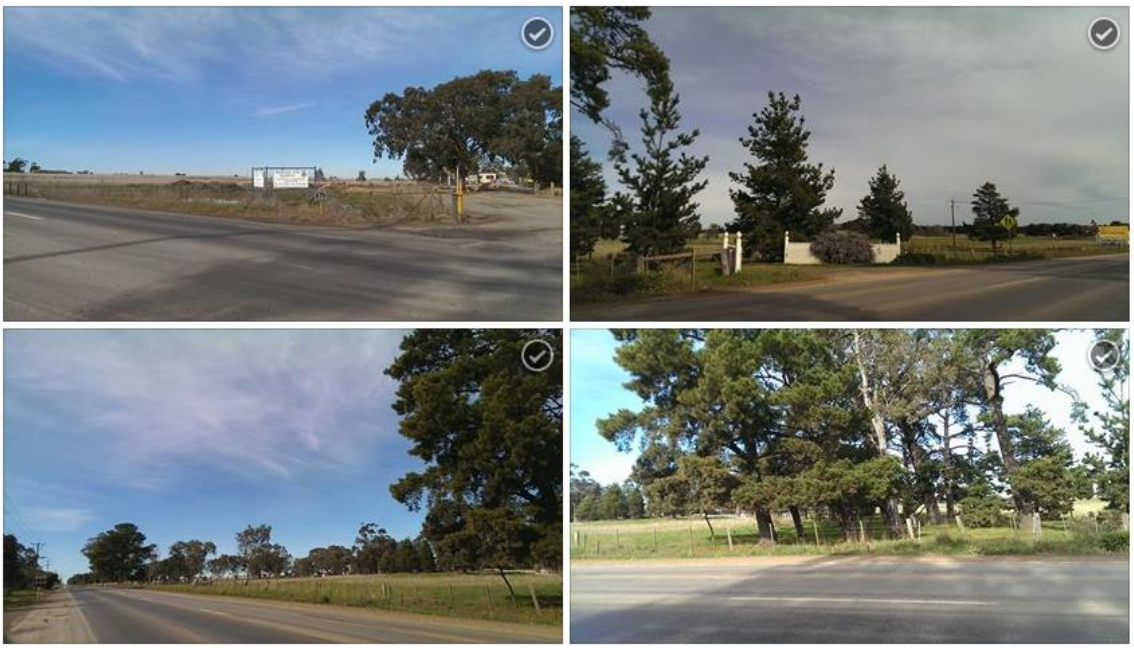
Impacts on prime employment land;	The area should be considered as prime employment land, given strong accessibility. However, there is limited potential for an employment cluster to develop here given the relatively small size of the land.	3
Importance of site in stimulating investment.	The development of this site would help to stimulate investment.	3
Total		**17**

Craigieburn North Employment Area



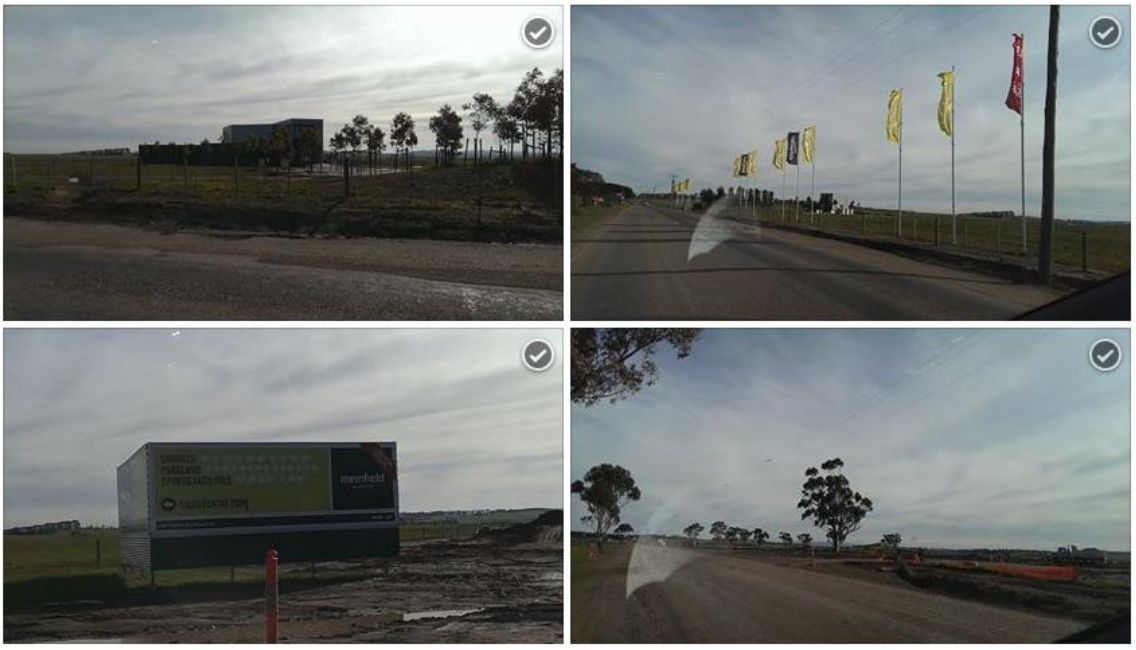
Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	Out of Centre.	1
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Potentially good, however there is presently no freeway interchange for this vast precinct.	4
Exposure to customers;	Strong, as it is located along Hume Freeway and there is nothing impacting on its visibility.	5
Potential for agglomeration and integration;	Potentially strong, as this is a very large site with good accessibility.	4
Impacts on prime employment land;	Potentially important employment land given its size. However given it is such a large area, losing some land to bulky goods would still leave a sufficient amount of land for business/industrial uses to develop.	4
Importance of site in stimulating investment.	The development of this site would leave the possibility of further expansion and bulky retail investment if the catchment grew more than expected. It could also help to stimulate new investment given the space that could be afforded for smaller operators to grow in a highly visible area	5
Total		**23**

Donnybrook Road Employment Area



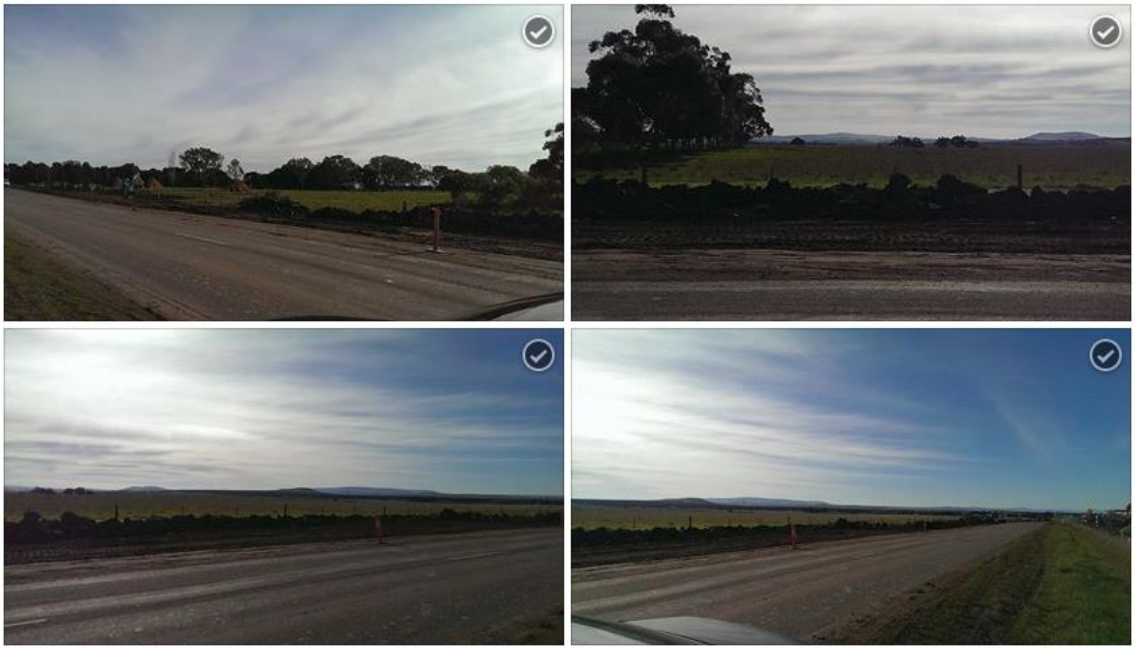
Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	Out of centre	1
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Reasonable, although inferior to sites along Hume Freeway	3
Exposure to customers;	Reasonable, although inferior to sites along Hume Freeway	3
Potential for agglomeration and integration;	Reasonably strong, as this is a medium sized precinct with decent accessibility.	3
Impacts on prime employment land;	Some impact as this is a potentially good employment node with access to a train station / railway line.	2
Importance of site in stimulating investment.	Would help to stimulate some investment	3
Total		**15**

Merrifield Major Town Centre



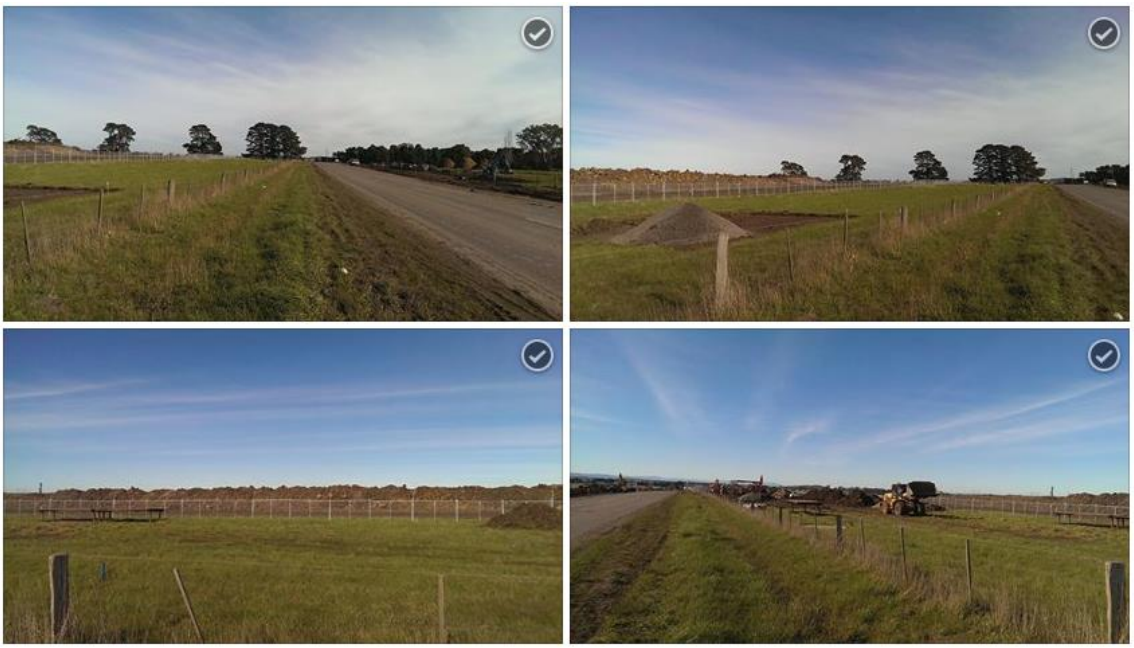
Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	Within centre	5
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Strong accessibility to future local catchment, but poor from a regional perspective.	2
Exposure to customers;	Strong visibility to future local catchment, but poor from a regional perspective.	2
Potential for agglomeration and integration;	Can potentially cluster all types of retailing activity with bulky goods	5
Impacts on prime employment land;	Activity centres should not be considered as (non-retail) prime employment land in an outer suburban / growth area setting	5
Importance of site in stimulating investment.	Potentially helpful, but will not be essential to the development of the town centre.	3
Total		**22**

Merrifield Employment Area



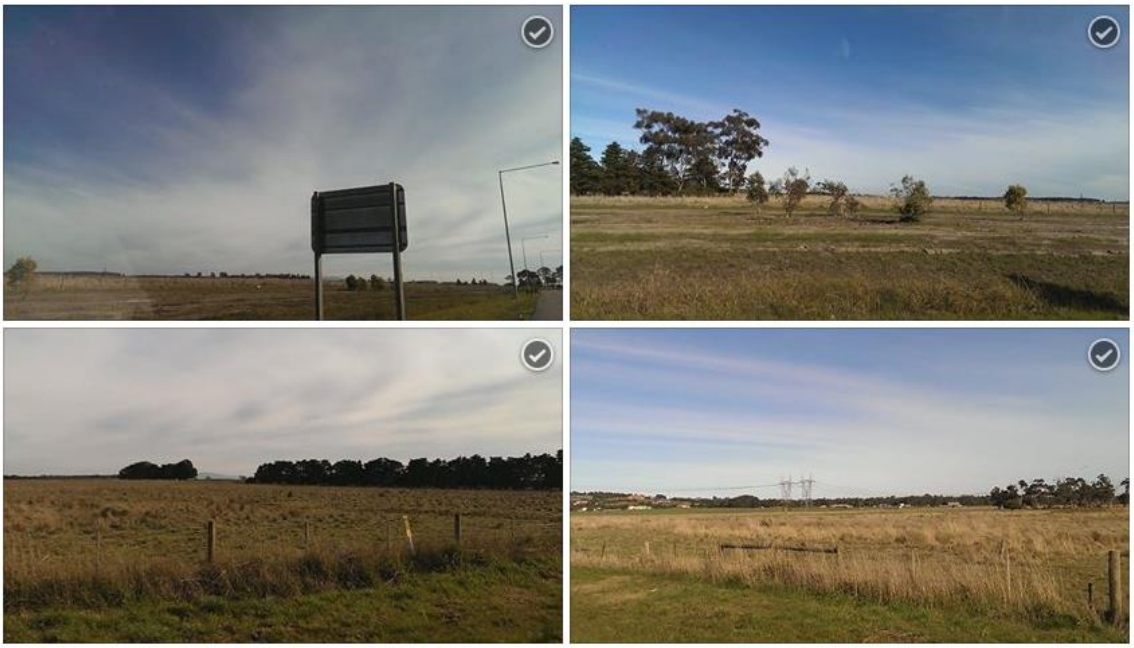
Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	Potentially adjacent to Merrifield Town Centre, although proponents are likely to prefer developing restricted retail along Hume Freeway.	3
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Good local and regional access along Hume Freeway, average access along the remainder of the precinct.	4
Exposure to customers;	Stronger exposure along Hume Freeway, average along the remainder of the precinct.	3
Potential for agglomeration and integration;	Some potential, especially if linked to Merrifield Town Centre.	3
Impacts on prime employment land;	Potentially significant, as this precinct could accommodate employment activities that are closely linked to Merrifield Town Centre (and possess good access to Hume Freeway).	2
Importance of site in stimulating investment.	Not essential, but could still help if in the right position.	2
Total		**17**

Folkestone Employment Area



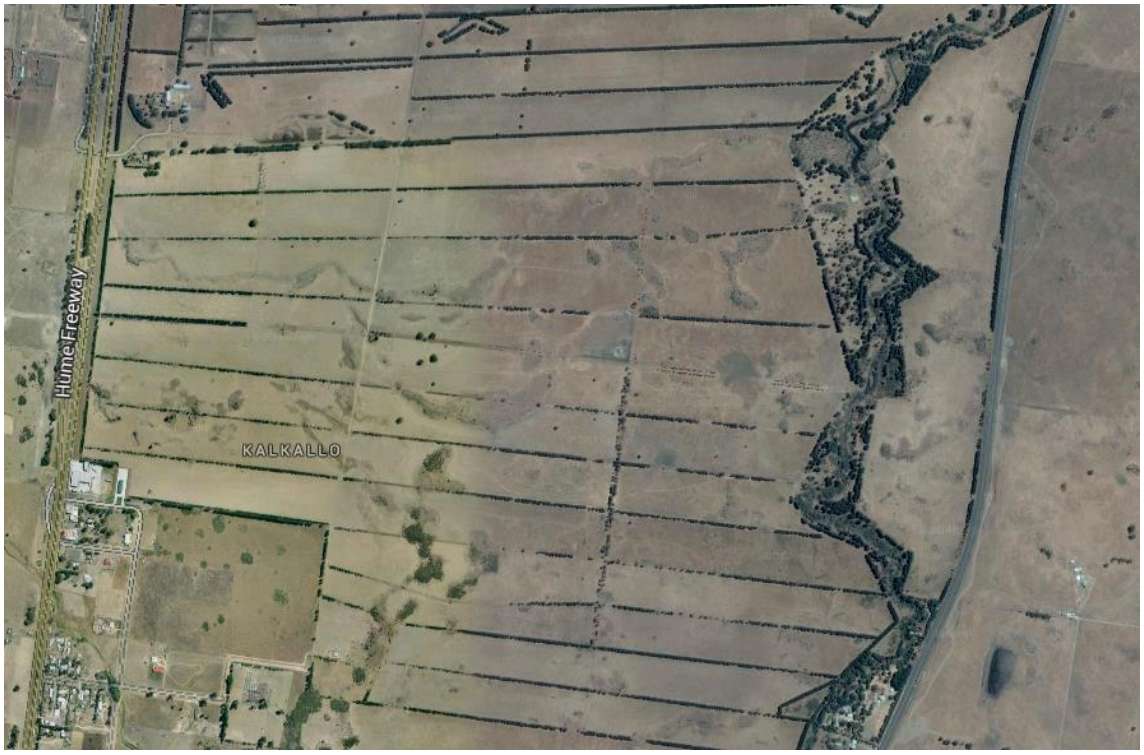
Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	Relatively close proximity to Merrifield Town Centre across Donnybrook Road.	2
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Strong accessibility to future local catchment, but poor from a regional perspective.	2
Exposure to customers;	Strong visibility to future local catchment, but poor from a regional perspective.	2
Potential for agglomeration and integration;	Reasonably strong, as this is a medium sized precinct with decent accessibility.	3
Impacts on prime employment land;	Some impact as this is a potentially good employment node.	3
Importance of site in stimulating investment.	Would help stimulate some investment	3
Total		**15**

Shell Employment Area



Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	Out of centre	1
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Strong accessibility at the corner of Hume Highway and Donnybrook Road.	5
Exposure to customers;	Strong accessibility at the corner of Hume Highway and Donnybrook Road.	5
Potential for agglomeration and integration;	Strong, as this is a medium sized precinct with good accessibility.	4
Impacts on prime employment land;	Some impact, as this precinct is relatively small, and there is potential to develop a business park.	3
Importance of site in stimulating investment.	Not particularly important. Site is also relatively constrained in terms of size.	1
Total		**19**

Lockerbie Principal Town Centre



No images available as site is not publicly accessible.

Criteria	Assessment	Score
Location of sites relative to the defined town centre network;	In centre.	5
Accessibility to catchment / trade area – this should include a good distribution across the study area;	Poor access as it is somewhat difficult to access from Hume Freeway. There is a railway line and potential station, however this is insignificant from a bulky goods retailing perspective.	1
Exposure to customers;	Poor exposure, with limited visibility on a small arterial road. Visibility from a railway line is not significant.	1
Potential for agglomeration and integration;	Could develop a dedicated retail centre incorporating bulky goods, although there would be some doubt about the viability of such a centre with poor regional access/visibility.	4
Impacts on prime employment land;	Not an employment precinct.	5
Importance of site in stimulating investment.	Other activities are more likely to stimulate investment in this precinct.	1
Total		**17**

4.3 Implications

It is assessed that the two most suitable locations for restricted retailing to be accommodated in this study area are:

- Craigieburn North Employment Area
- Merrifield Major Town Centre

Craigieburn North Employment Area

The primary benefit of the Craigieburn North option is its strong access and visibility. This allows a broad range of restricted retailing uses to be potentially viable. Its sheer size also means that the potential for this precinct to attract employment activities are unlikely to be compromised. Importantly, the availability of land will also allow for smaller operators to gain a foothold in the market, generating long term competition and perhaps driving innovative, entrepreneurial activity from smaller business start-ups. Recent SGS employment land studies have uncovered a significant trend for wholesale and warehouse operators to compete with more traditional bulky retail formats.

Note that for smaller bulky goods/wholesale operators, visibility is essential as they do not possess the brand power to attract customers to secondary locations.

Overall then, this precinct is best suited to low density restricted retailing and showrooms.

The Merrifield Major Town Centre is assessed as an alternative location given its designation as an activity centre. Bulky goods retailing of a more local scale is assessed as suitable here, given its average access and visibility. The potential to integrate a range of retail uses within this activity centre would be exciting for the future community. Nonetheless it should be noted that from a purely commercial (operator) perspective, this location will always be considered as secondary to any sites along Hume Freeway.

This would cause problems in the long term, because it would require the local planning authority to ensure that no sites along the Hume Freeway should be zoned in a manner that will permit restricted retailing to develop. Such restrictive zoning could limit the development potential a large precinct such as Craigieburn North Employment Area.

Alternative option OR second location: Shell Employment Area

Merrifield Major Town Centre

On the other hand, high density bulky goods retailing is perhaps better suited to the Merrifield Major Town Centre. Indeed, as the centre develops, it may be more optimal to collocate higher density restricted retailing with other forms of non-restricted retailing activities. Note however that there should still be limits to restricted retail, as the Merrifield Major Town Centre also needs land to accommodate the maximum levels of residential, community and non-bulky retail in or around centre. A large presence of bulky retail may indeed supress land values and prevent development of higher order uses in the long term.

Alternative option: Lockerbie Principal Town Centre

5 CONCLUSIONS

After considering a range of issues including policy, consumer demand and potential supply locations, it is concluded that at full development, it is determined that the study area still needs to accommodate:

- 29,200 to 35,000 sqm of high density restricted retail, and
- 47,800 to 60,900 sqm of low density restricted retail

This equates to around 77,000 to 95,900 sqm of unmet demand, with 29,200 to 35,000 sqm most appropriately located near Activity Centres, whilst the remaining 47,800 to 60,900 sqm is best suited to lands along major arterials and freeways.

A number of factors underpin these numbers, including:

- Population growth and final dwelling yields
- Expenditure patterns and significant long term trends in restricted retailing
- The assumed retail turnover density (RTD) of restricted retailing activity
- The level of household goods which are sold from land which may not be specifically designated for restricted retailing (e.g. specialty stores or wholesalers)
- The level of restricted retailing demand which may arise from business activities in the region

Successful restricted retail / showroom precincts are attractive to their large catchments because of their comparison offer and ease of access to and within precincts.

Based on existing conditions, it is recommended that the best solution for low density restricted retail / showroom activities is to locate the activities within the Craigieburn North Employment Area. This precinct combines strong access and visibility with a large site. This would maximise the regional competitiveness of the precinct whilst allowing for smaller operators to enter the market and generate new formats, benefiting the consumer whilst also generating new forms of investment and economic development opportunities. The quantum of low density restricted retailing to be accommodated in the Craigieburn North Employment Area should be between 47,800 to 60,900 sqm of floorspace.

The best centre/location which could successfully accommodate higher density restricted retailing is the Merrifield Town Centre. This centre should accommodate 29,200 to 35,000 sqm of higher density (or Activity Centre based) restricted retail floorspace.

APPENDIX A – OTHER CONSIDERATIONS

Size of bulky goods tenancies

According to our experience, a bulky goods precinct anchored by a large tenant (such as Masters Home Improvement and Bunnings) usually trades better than a group of smaller bulky goods tenancies. This is because the anchor store is likely to draw retail traffic that would result in visits to the smaller stores.

Without a larger tenant, it may also take longer for the proponent to lease out the floorspace to smaller tenants, which would affect the short-term viability of the bulky goods component. On the other hand, the poorer trading performance would reduce the impact on other bully goods precincts.

Potential food offer

In principle, a bulky retail centre should contain minimal food retailing. Generally, the food retail offering should be limited to those that will complement the core on-site retail offer as opposed to stores which will act as anchors in their own right. A few cafes and shops up to 1,000sqm is generally acceptable. As an example, this may consist of a modestly sized food court.

Any developers which propose for food retailing over and above this amount should be considered excessive for a bulky goods based centre. Such scenarios are likely to result in significant impacts on the surrounding centres hierarchy. The impact would be of the order of 30% to 50% on food expenditure.

Contact us

CANBERRA

Level 1, 55 Woolley Street
Dickson ACT 2602

+61 2 6262 7603
sgsact@sgsep.com.au

HOBART

Unit 2, 5 King Street
Bellerive TAS 7018

+61 (0)439 941 934
sgstas@sgsep.com.au

MELBOURNE

Level 5, 171 La Trobe Street
Melbourne VIC 3000

+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY

209/50 Holt Street
Surry Hills NSW 2010

+61 2 8307 0121
sgsnsw@sgsep.com.au

SGS Economics & Planning