

Section 1: Background



Map 1.2: Casula
Site Location

- Subject Site
- Shopping Centre
- School
- Retirement Village
- Park/Reserve

1.2 Planning environment

This report has been prepared as part of a planning proposal (for rezoning) of the subject site and concurrent development application. The detailed planning context of the site is provided under separate cover, and thus is not discussed within this report.

1.3 Retail trends

In the 20 years preceding the Global Financial Crisis (GFC) the retail sector in Australia grew at about 1.3 percent to 1.5 percent per annum in real terms, with particularly strong growth in new formats through the 1990s and 2000s, e.g. bulky goods retail, fuelled by strong population growth and new housing development.

The growth in retail expenditure and consequent retail floorspace over this time occurred during an extended boom cycle of 15 years, fuelled in the latter years by a consumer credit binge and a global economy driven by debt. Immediately prior to the GFC, the household savings ratio in Australia was negative.

In the years since the GFC, there has been a significant change in household consumption behaviour, as well as a marked slowdown in retail development. Since the GFC there have been further major global economic crises, most recently the European sovereign debt crisis. Other factors, including house price stabilisation, the rise of internet retailing in some categories, changes in consumer preferences to more experience-based retailing, a redistribution of household consumption expenditure and historically high household savings ratios, which have been the results of increased consumer caution, have all impacted generally negatively on Australia's retail sector.

The GFC has also resulted in structural shifts in the retail sector with much tighter financing conditions for major retail developments. This has meant developments are typically subject to much greater market testing and require demonstrated demand and turnover threshold levels to be met in order to proceed. Essentially, lenders are highly unlikely to finance major development unless there is demonstrated demand growth.

While there has been a large increase in household savings ratios, consumers have not closed their wallets. Increased price pressures for household utilities, education, transport and the like have eroded household budgets, while the strong Australian dollar has meant Australians are taking record numbers of overseas holidays per year.

Convenience retailing has held up strongly as the old adage 'people need to eat' continues to hold true. While total retail trade as measured by the Australian Bureau of Statistics (ABS) was up 2.9 percent over the year to March 2012, food retailing recorded a much greater 4.3 percent growth for the year. This growth compared with declines recorded in department stores (-1.7 percent) and clothing/apparel stores (-2.3 percent) sales. It is expected that food (and non-discretionary) retailing will continue to growth strongly within Australia, due to the strong employment market and continuing population growth.



MacroPlan Dimasi benchmark data show that sales for neighbourhood supermarket anchored centres grew by 3.3 percent in the year to March 2012, while sales for DDS anchored centres grew by 2.7 percent and regional centre sales by just 0.1 percent, the latter impacted by tenancy mixes weighted towards fashion and department stores.

Furthermore, food based and convenience oriented centres will face much less competition from internet penetration than fashion and apparel based centres.

The rise of internet retailing has eroded the market share of some retail categories, however in general this trend is not expected to impact noticeably on land use planning for physical retail space. This is because the majority of on-line sales (70 to 80 percent) are, or are expected to be, channelled through domestic retailers with bricks and mortar presence.

The market penetration of internet retailing into the supermarket sector within Australia has been minimal to date, and in any case most of the fulfilment of internet orders is actually undertaken from supermarket outlets, i.e. the 'bricks and mortar' store, and not via distribution centres, for reasons of viability.

The typical drivers of supermarket floorspace demand, therefore, remain very strong, and will continue to do so in the future. The key drivers include *population growth* and *growth in real incomes* which leads to real expenditure growth.



Section 2: Trade area analysis

This section of the report details the potential trade area that could be served by a full-line supermarket at the subject site at Casula, including current and forecast population levels, the socio-demographic profile of trade area residents and estimates of their retail expenditure levels.

2.1 Trade area definition

The extent of the trade area or catchment that is served by any shopping centre 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.

On this basis, the potential trade area served by a full-line supermarket at Casula has been defined to include a primary and a secondary sector, illustrated on Map 2.1 and described below:

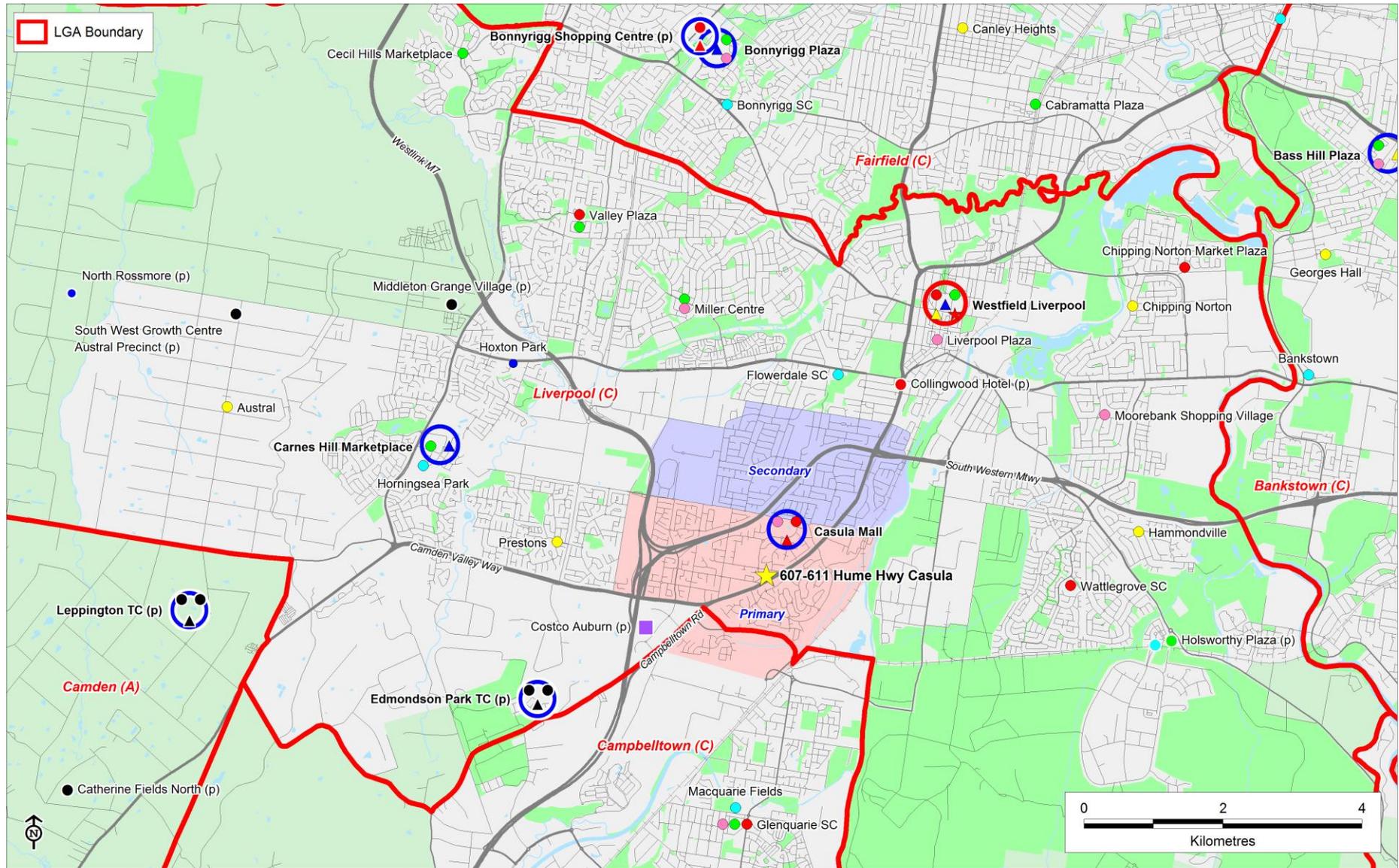


- The **primary sector** is generally bound by Kurrajong Road to the north, the railway line to the east, the M7 to the west and the new residential area south of Glenfield Road to the south.
- The **secondary sector** extends northwards from the primary sector to Reilly Street to the north, the railway line to the east and Ash Street/M7 to the west.

The combination of these two sectors is referred to as the **main trade area** throughout the remainder of this report.



Section 2: Trade area analysis



**Map 2.1: Casula
Competitive Context**

* Haloed symbols indicate proposed stores

Regional Centre	Big W	Woolworths	IGA	Unknown Smkt
Sub-Regional Centre	Target	Coles	Other Smkt	Unknown DDS
Myer	Kmart	Aldi	Franklins	Costco

2.2 Trade area population

As shown in Table 2.1, the current main trade area population (i.e. June 2011) is estimated at 27,550 persons, including 14,400 residents in the key primary sector.

In determining the future population of the trade area we have relied upon a range of sources, including the following:

- Australian Bureau of Statistics Census Data (2001 and 2006)
- Australian Bureau of Statistics Estimated Resident Population (2007-2011)
- Australian Bureau of Statistics Dwelling Approvals (2006-2010)
- NSW Department of Planning and Infrastructure (DPI) Household and Population projections (2006-2036)
- Information regarding surrounding residential developments and planning strategy information.

Map 2.2 illustrates the new dwelling approval activity throughout the region over the period 2006-2011. As shown, consistent new dwelling approval activity has occurred throughout the main trade area.

The subject site is located just north of the South-West Growth Centre, a region of significant population growth expected to accommodate in excess of 250,000 additional residents over the next 15 to 20 years. The defined main trade area includes areas of new residential housing development, namely Panorama Estate and Glenfield Chase.

Having regard to the abovementioned reference sources, we estimate the main trade area population to grow on average by 1.5 percent per annum over the next 15 years, and reach 34,350 residents by 2026, reflecting an increase of about 6,800 residents. This growth alone would almost support another full-line supermarket.

Table 2.1
Casula trade area population, 2001-2026*

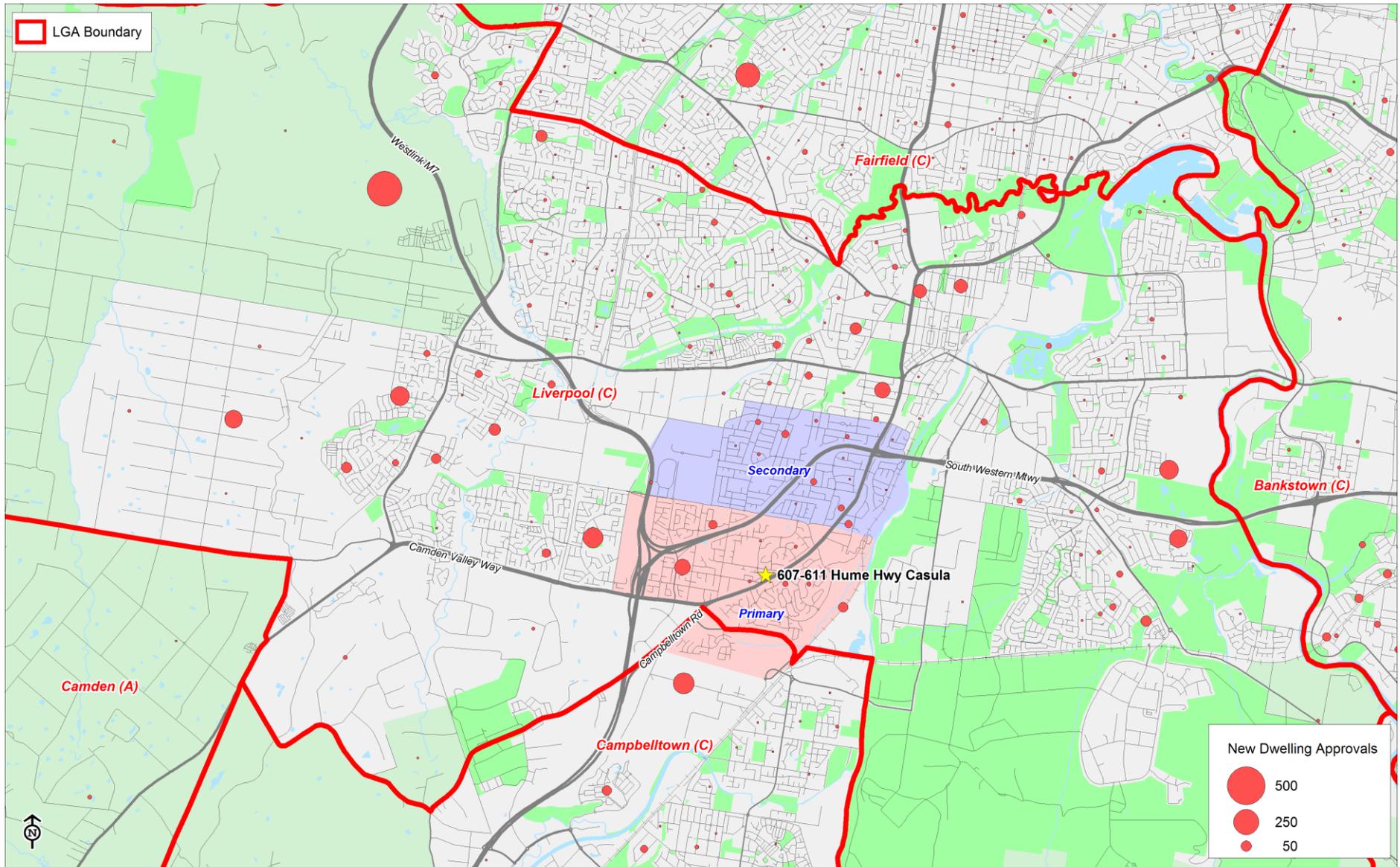
Trade area	Estimated population			Forecast population		
	2001	2006	2011	2016	2021	2026
Primary sector	8,010	11,400	14,400	17,000	18,500	19,750
Secondary sector	12,370	12,390	13,150	13,550	14,050	14,600
Main trade area	20,380	23,790	27,550	30,550	32,550	34,350

Trade area	Average annual growth (no.)				
	2001-06	2006-11	2011-16	2016-21	2021-26
Primary sector	678	600	520	300	250
Secondary sector	4	152	80	100	110
Main trade area	682	752	600	400	360

Trade area	Average annual growth (%)				
	2001-06	2006-11	2011-16	2016-21	2021-26
Primary sector	7.3%	4.8%	3.4%	1.7%	1.3%
Secondary sector	0.0%	1.2%	0.6%	0.7%	0.8%
Main trade area	3.1%	3.0%	2.1%	1.3%	1.1%

*As at June

Source: ABS; MacroPlan Dimasi



Map 2.2: Casula
New Dwelling Approvals, 2006 - 2011

2.3 Socio-demographic profile

Table 2.2 and Chart 2.1 illustrate the socio-demographic profile of the main trade area population, compared with the respective metropolitan Sydney benchmarks.

Key points to note include the following:

- The trade area population reflects a younger demographic profile. The average age of the main trade area residents, at 33.6 years, is below the metropolitan Sydney benchmark of 36.6 years
- Main trade area residents earn per capita incomes that are below the metropolitan Sydney benchmarks by about 30 percent, although the higher than average household size of 3.1 persons per dwelling means average household incomes are only about 20 percent lower than Sydney benchmarks.
- The majority of main trade area residents are Australian born (59.0 percent), though there is a larger than average proportion of overseas born residents.
- A review of the household structure within the main trade area indicates a higher proportion of traditional families (couples with dependent children) and couples and a lower than average proportion of lone person households.



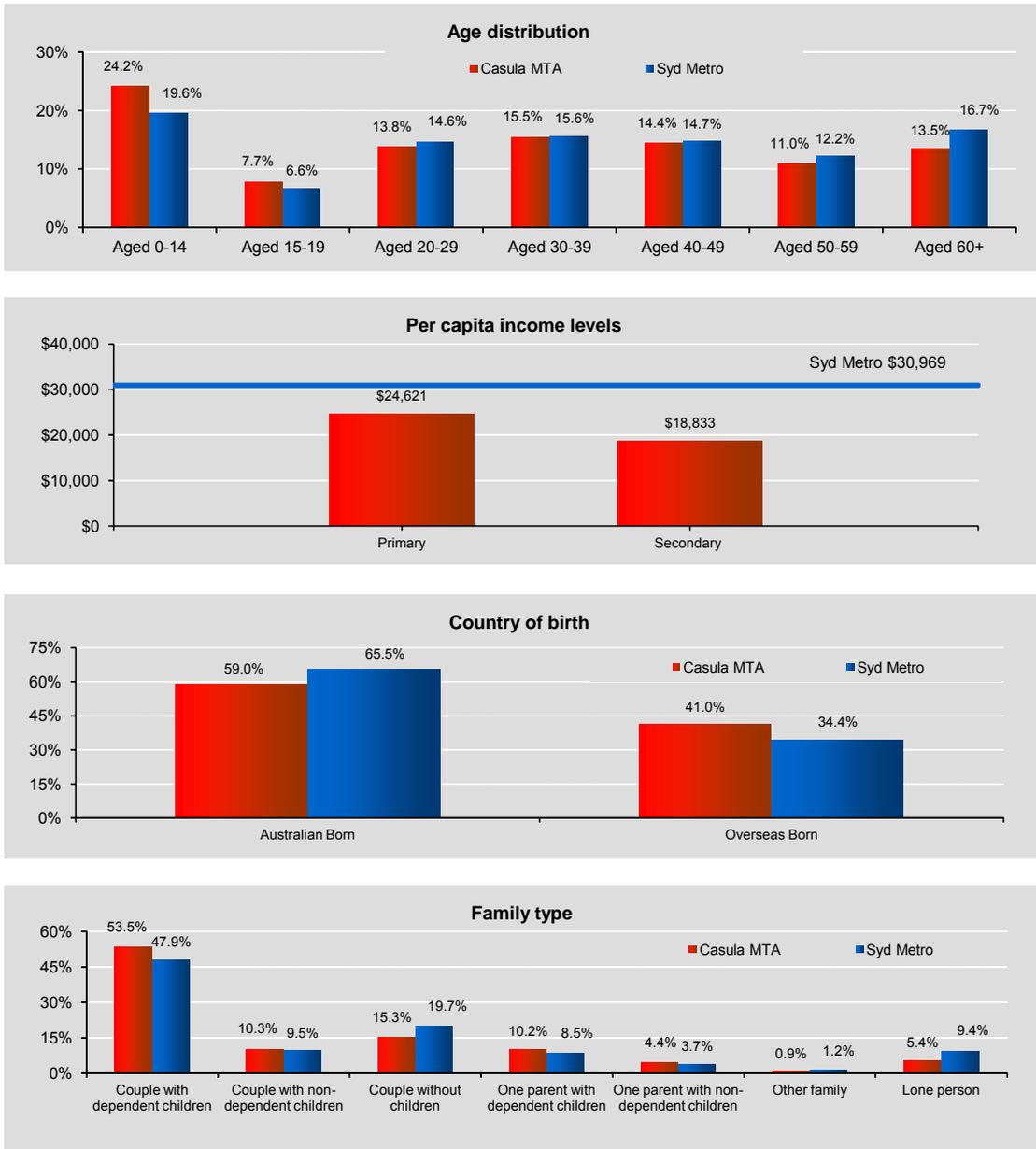
Table 2.2
Casula main trade area - socio-demographic profile, 2006

Census item	Primary sector	Secondary sector	Main TA	Syd Metro avg.
Per capita income	\$24,621	\$18,833	\$21,605	\$30,969
<i>Variation from benchmark</i>	-20.5%	-39.2%	-30.2%	
Avg. household income	\$79,623	\$55,144	\$66,266	\$82,406
<i>Variation from benchmark</i>	-3.4%	-33.1%	-19.6%	
Avg. household size	3.2	2.9	3.1	2.7
<u>Age distribution (% of pop'n)</u>				
Aged 0-14	25.0%	23.4%	24.2%	19.6%
Aged 15-19	7.8%	7.6%	7.7%	6.6%
Aged 20-29	13.9%	13.7%	13.8%	14.6%
Aged 30-39	17.9%	13.3%	15.5%	15.6%
Aged 40-49	15.2%	13.6%	14.4%	14.7%
Aged 50-59	10.5%	11.4%	11.0%	12.2%
Aged 60+	9.7%	17.0%	13.5%	16.7%
Average age	31.9	35.3	33.6	36.6
<u>Housing status (% of h'holds)</u>				
Owner/purchaser	75.9%	64.6%	70.0%	67.0%
Renter	22.8%	35.2%	29.3%	32.3%
Other	1.2%	0.2%	0.7%	0.8%
<u>Birthplace (% of pop'n)</u>				
Australian born	56.2%	61.6%	59.0%	65.5%
Overseas born	43.8%	38.4%	41.0%	34.4%
• Asia	13.5%	6.3%	9.8%	13.0%
• Europe	13.0%	14.3%	13.7%	11.6%
• Other	17.2%	17.9%	17.6%	9.9%
<u>Family type (% households)</u>				
Couple with dep't children	60.9%	47.4%	53.9%	47.9%
Couple with non-dep't children	9.3%	11.1%	10.2%	9.5%
Couple without children	14.7%	15.7%	15.2%	19.7%
One parent with dep't children	7.4%	12.6%	10.1%	8.5%
One parent with non-dep't child.	3.1%	5.4%	4.3%	3.7%
Other family	0.8%	1.0%	0.9%	1.2%
Lone person	3.7%	6.8%	5.4%	9.4%

Source: ABS Census of Population & Housing, 2006; MacroPlan Dimasi

Chart 2.1

Casula main trade area - socio-demographic profile, 2006



Source: ABS Census of Population & Housing, 2006; MacroPlan Dimasi

2.4 Retail expenditure

MacroPlan Dimasi estimates retail expenditure capacity generated by the main trade area residents based on information sourced from Market Data Systems (MDS), which 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 dataset from MDS starts with the household expenditure survey, a comprehensive exercise conducted by the ABS every five years. In the latest survey, just under 7,000 households across Australia were asked to provide complete details of their spending over a specific period.

In addition to a thorough interview, each member of the household in question over the age of 15 is required to keep a diary of every expenditure made over a two week period. The respondents itemise all outings by attaching grocery receipts as well as accurately recording all of the transactions which may range from taxi fares to insurance and alimony payments, to the amount of pocket money given to children in the household. Complete financial and social information about the entire household are also provided.

All these data are then matched with Census, Centrelink, National Accounts and other data collected by State and National Governments to create a model of spending that is at the heart of MarketInfo. Micro simulation techniques are the method by which these detailed calculations are performed.

MarketInfo calculates spending levels down to the Census Collection District (CCD), the smallest defined area used by the ABS. Each CCD covers an area of approximately 180 households. MarketInfo is able to draw down to this level because it starts with the unit records from the Household Expenditure Survey and uses the spending and other information from all of the nearly 7,000 surveyed households as the basis for modelling these actual results to the broader community.

Although it is not 'perfect', we consider MarketInfo data to be quite an accurate measure of available retail expenditure and it is widely relied on in the retail industry. This office has undertaken thousands of retail assessments using actual retail sales turnover data from retailers and shopping centres and numerous customer surveys to understand the expenditure behaviour of shoppers.

Appendix 1 further details the suitability and usage of MarketInfo data, particularly in regards to economic impact assessments analysing turnover impacts. In particular, Appendix 1 provides a reconciliation of the household retail expenditure data based on MarketInfo estimates with the ABS reported retail turnover data.

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



- Take-home food and groceries – expenditure on goods typically sold in supermarkets and specialty fresh food stores.
- Packaged liquor –expenditure on packaged beer, wine and spirits such as those purchased at bottle-shops and liquor outlets (does not include liquor consumed on premises, such as at bars/clubs/pubs).
- Food catering – expenditure on cafes, take-away outlets and restaurants, including liquor consumed on such premises.
- Apparel – expenditure on clothing, footwear, fashion and accessories.
- Household Goods – expenditure on giftware, electrical, computers, furniture, homewares, and hardware goods.
- Leisure – expenditure on sporting goods, music, DVDs, games, books, newsagents and film processing/photography and the like.
- General Retail – expenditure on, pharmaceutical goods, cosmetics, toys, florists, mobile phones and the like.
- Retail Services – expenditure on retail services such as key cutting, shoe repairs, hair and beauty and the like.

Chart 2.2 highlights the per capita retail expenditure of the main trade area population, compared with the metropolitan Sydney benchmark averages.

Total per capita retail spending in the trade area is lower than the Sydney benchmarks, however, spend per capita in fresh food and other food and groceries – key components of supermarkets – are almost on par with Sydney Metropolitan benchmarks.

Table 2.3 details the estimated retail expenditure of the Casula main trade area population in 2012, as well as projected increases in retail spending to 2026.

The current retail expenditure of the main trade area population is estimated at \$311 million, including \$177 million in the primary sector, and is projected to increase to \$441 million by 2026. All spending forecasts presented throughout this report are expressed in constant 2011/12 dollars (i.e. not including an average inflation rate) and including GST.

The estimated retail expenditure growth rate of 2.5 percent per annum reflects the following components:



- Average annual trade area population growth of 1.5%.
- Real growth in per capita retail spending, which is expected to average 1.0% per annum over the forecast period.

Table 2.4 details estimated retail expenditure of the main trade area population by key commodity group, highlighting FLG as by far the largest single category.

