



ESSENTIAL ECONOMICS

**Orange Grove Centre
Economic Impact Assessment**

Peer Review and Assessment

Prepared for

Liverpool City Council

by

Essential Economics Pty Ltd

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INTRODUCTION

Background

Gazcorp Pty Ltd are proposing the development of a 17,000m² (Gross Leasable Area) retail centre at 5 Orange Grove Road. The development is proposed to include a Discount Department Store (DDS), two supermarkets, two mini-major tenancies and speciality retail floorspace.

The site is currently occupied by the Megacentra Liverpool homemaker centre which is proposed to be relocated to another part of the site, while planning approval has been granted for the use of the Orange Grove Markets for factory outlet retailing.

The development will involve a rezoning of the subject site from B5 – Business Development to B2 – Local Centre to accommodate 'traditional' retailing.

Gazcorp Pty Ltd commissioned Leyshon Consulting Pty Ltd (Leyshon) to prepare an Economic Impact Assessment (April, 2015) of the proposal, and subsequently commissioned Deep End Services (31 March, 2015) to undertake a peer review of the Leyshon Economic Impact Assessment (EIA).

Council is seeking a peer review of these two reports to assist in the planning assessment of the proposed rezoning.

Note, since Essential Economics undertook the peer review in September 2015, Gazcorp Pty Ltd have amended their proposal to include 'shop' floorspace of up to 21,000m² of GFA as an additional permitted use under the B5 – Business Development zone, rather than a rezoning of the site to B2 – Local Centre. This change does not impact the analysis presented in this report. Furthermore, Deep End have since prepared an update of their report dated 14 October, 2015; any changes between the reports dated 31 March 2015 and 14 October 2015 have not be incorporated into this assessment.

Objective

This Peer Review will provide a review of the overall approach undertaken by Leyshon and Deep End and the key data inputs. In addition, the peer review will assess the appropriateness of the findings of the two consultants relating to the following:

- Cumulative impacts on centres in 2016 and 2019, including the distribution of impacts to competing centres
- Estimated turnover levels, taking into consideration previous research prepared by HillPDA (*Liverpool Cumulative Economic Impacts Study, 2012*) and our own understanding of retail trading performance in the area

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- The trade area and the demand for additional retail floorspace derived from the trade area.

Importantly, the Peer Review will provide advice to Council on the extent to which Council should rely on the two reports for the purpose of assessing the proposed rezoning and an independent assessment of the likely economic impacts of the proposal.

Approach

In preparing this Peer Review, the following approach has been adopted:

- 1 Review of the Leyshon EIA and Deep End reports, and other relevant background material, including the *Liverpool Cumulative Economics Impacts Study* (HillPDA, 2012) and the *Liverpool Retail Centres Hierarchy Review* (HillPDA, 2012).
- 2 Field visit to the subject site and other relevant centres, including the Liverpool CBD.
- 3 Review of the overall methodology used by Leyshon and Deep End.
- 4 Assessment of the data inputs and demand analysis, undertaken in conjunction with our own independent analysis.
- 5 Assessment of the impact analysis, also undertaken in conjunction with our own independent analysis.

This Report

This report contains the following chapters:

- 1 Context Analysis
- 2 Overview of Methodologies, Assumptions and Key Findings
- 3 Peer Review of Key Data Inputs and Demand Analysis
- 4 Independent Assessment of Economic Impact
- 5 Conclusion.

1 CONTEXT ANALYSIS

This Chapter presents an overview of the context within which the proposal is situated currently.

1.1 Subject Site

The subject site is located at 5 Orange Grove Road, Warwick Farm, approximately 1.2km north of the Liverpool CBD. Although located in the City of Liverpool, the boundary with the City of Fairfield is located to the immediate north of the subject site. Consequently, the proposal is likely to impact centres in both municipalities.

The regional location of the subject site is shown in Figure 1.1.

The proposal involves land currently occupied by a homemaker centre, referred to as the Megacentra Liverpool, which contains approximately 29,000m² of floorspace and including major bulky goods retail tenants in Harvey Norman, Domayne and Bing Lee. Megacentra Liverpool contains primarily bulky goods retailers, although the centre also includes a bowling alley, gym and a NSW Government Service Centre.

Currently, three vacancies are present at Megacentra Liverpool, indicating that the centre is not operating at capacity. The subject land is currently zoned *B5 – Business Development* and is proposed to be rezoned to *B2 – Local Centre*. The proposal involves the relocation of the Liverpool Megacentra to vacant land to the immediate east, as well as the development of a traditional retail centre comprising a Discount Department Store (DDS), supermarkets and speciality retailing (refer Section 1.2).

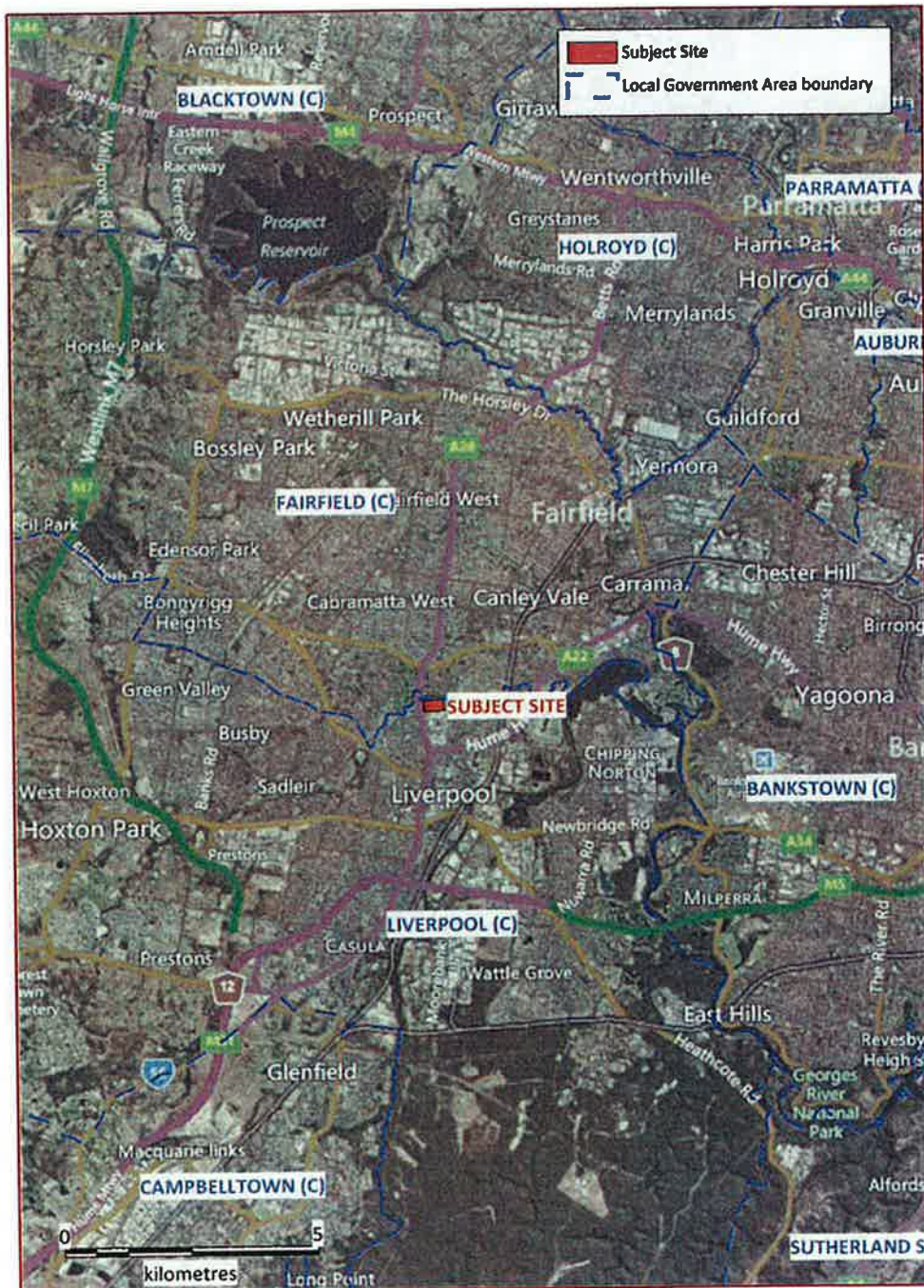
Gazcorp own land surrounding the subject site which includes the following uses:

- Orange Grove Weekend markets, where approval has been granted for the re-introduction of 19,000m² (Gross Floor Area) of factory outlet retailing within the market's building (refer Amendment 22 to the Liverpool City LEP).
- Dan Murphy's
- A recently developed small IGA supermarket
- Fast food retailing including a McDonald's, Oporto, Subway and Crisp Crème donuts.

The subject land and surrounding uses are shown in Figure 1.2.

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Figure 1.1: Regional Location



Produced by Essential Economics using MapInfo, StreetPro and BingMaps

Figure 1.2: Subject Site and Surrounding Uses



Produced by Essential Economics using MapInfo, StreetPro and Nearmap

1.2 Proposed Orange Grove Centre

The proposal which is the subject of the two EIAs involves the development of a 'traditional' retail centre and the relocation of the Liverpool Megacentra to vacant land located to the immediate east.

The proposed traditional centre involves a total of 17,000m² (GLA) of floorspace and is planned to contain the following components, based on information provided in the Leyshon and Deep End reports:

- A DDS of 5,000m², assumed to be a Kmart
- A major supermarket of 3,800m², assumed to be a Coles supermarket
- A discount supermarket of 1,600m², assumed to be an ALDI
- Two mini-majors with a total floorspace of 1,500m²
- Speciality retail floorspace totalling 4,600m²
- Total retail floorspace of 16,500m², plus 500m² of non-retail floorspace.

The scale and composition of the proposed centre is consistent with a typical sub-regional centre. Furthermore, the assumptions regarding potential tenants – namely Kmart, Coles and ADLI – are reasonable. Deep End state in their report that "we are aware that both Kmart and ALDI are actively considering the site" (p3) and there is no reason to refute this statement.

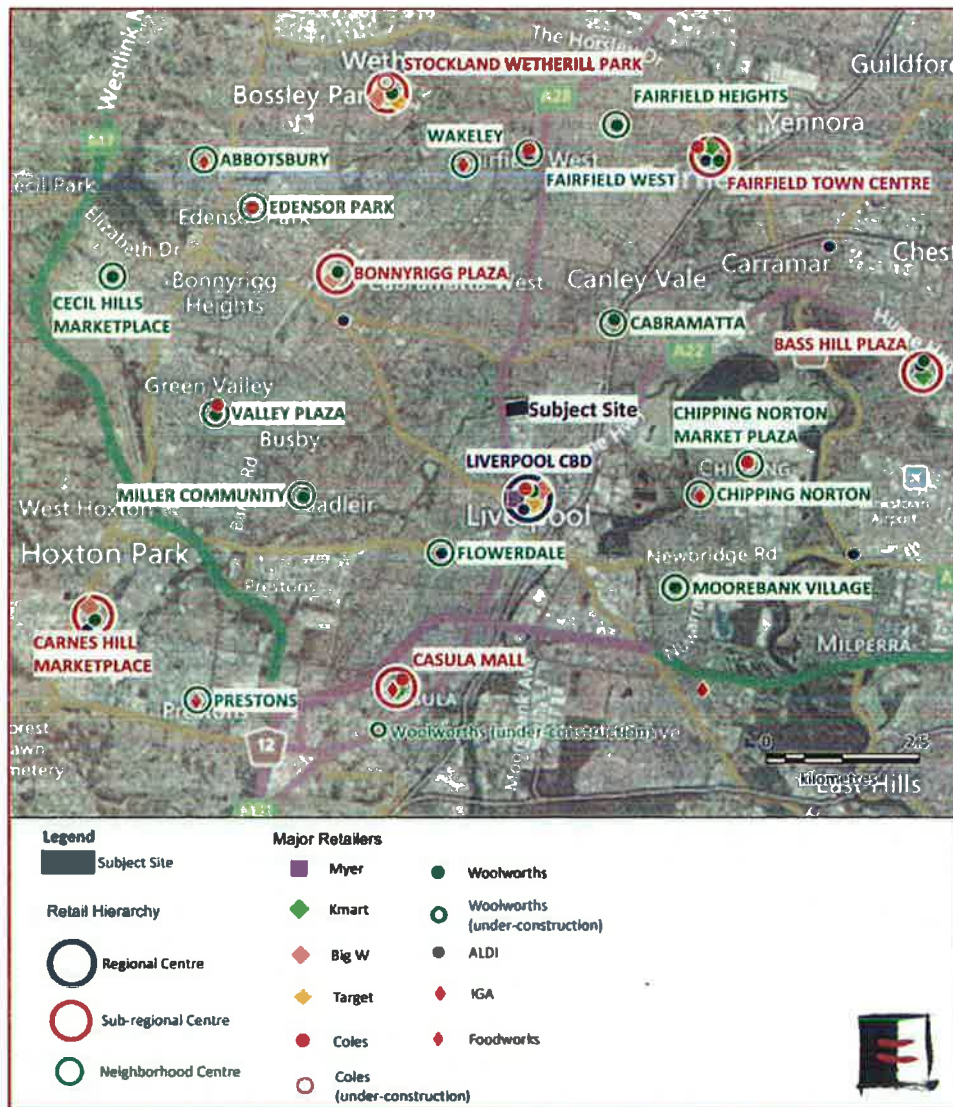
1.3 Retail Planning Context

Liverpool City Council commissioned HillPDA to prepare the *Liverpool Retail Centres Hierarchy Review*, June, 2012 (referred to as 'LRCHR') which assess the existing retail centres in Liverpool and provides advice as to the future opportunities for retail development.

The LRCHR identifies the Liverpool City Centre (or Liverpool CBD) as the Regional City serving the City of Liverpool and beyond, and provides support and encouragement for the CBD to continue to be a major focus for higher-order retail, commercial, community and civic uses.

A hierarchy of retail and commercial centres is identified in the LRCHR and includes the identification of Orange Grove as a 'Stand Alone Centre'. It is acknowledged in the LRCHR that Council resolved to change the status of Orange Grove to a 'Stand Alone Centre' at a meeting held on 28 November 2012. An overview of the centres relevant to the proposal is provided in the Leyshon Report. Figure 1.3 below shows the key centres in relation to the proposed development at Orange Grove and their key tenants.

Figure 1.3: Retail Planning Context



Produced by Essential Economics using MapInfo and Bingmap

Demand for an additional 134,000m² of retail floorspace between 2011 and 2031 is estimated in the LRCHR, 120,600m² of which has been allocated between centres throughout the municipality. The Liverpool CBD (35,000m²) and bulky goods floorspace at Crossroads (30,000m²) accounted for the largest share of future retail supply according to the LRCHR.

With regard to Orange Grove, the LRCHR is relatively supportive of the development of a traditional retail centre comprising a DDS and supermarket at the site, subject to an

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assessment of the potential economic impacts. A total of 3,000m² of additional retail floorspace has been allocated to Orange Grove and this was intended to account for proposals for a Dan Murphy's (now constructed) and an ALDI. No further retail supply has been allocated to Orange Grove.

The following abstract from the LRCHR discusses the medium-term opportunities for a more diversified retail offer at Orange Grove:

"In the medium term a change in the role of Orange Grove may be supported by Council to diversify its retail offer beyond bulky goods. This reflects the evolving nature of the area given the proposed brand outlet premises and Dan Murphy's and a number of the submissions to the Review relating to ALDI, Kmart and other non-bulky goods retail. Provision of retail floorspace of this nature would have some adverse impact upon the Liverpool City Centre, the extent of which should be quantified in the economic impact assessments accompanying the planning proposal and development applications for such uses.

In this regard we note that there is some undersupply of department and discount department store floorspace in 2011 and beyond in Liverpool LGA. Fairfield LGA has a number of discount department stores being in Bonnyrigg, Fairfield and Prairiewood. However to the south-east Cabramatta is not served by any discount department stores. Orange Grove is well situated to service this unmet demand resulting from the lack of provision in Cabramatta's trade area. The provision of a DDS and associated facilities at Orange Grove would attract to Liverpool LGA additional retail expenditure which would not otherwise be directed to it. Notwithstanding this, proportion of expenditure would be redirected from Liverpool City Centre.

It is not clear whether the impacts of development of this nature on Liverpool City Centre would be deemed acceptable and therefore whether this development is likely to proceed. In the targeted floorspace increases recommended we have not allowed for additional retail floorspace at Orange Grove in the medium and long-term. It is assumed that if such retail floorspace is provided it would comprise reoccupation of existing floorspace."
(p61)

Both the Leyshon and Deep End EIAs take into consideration the findings of the LRCHR.

A number of major retail proposals were active at the time of the preparation of the LRCHR, and Liverpool City Council had concerns regarding the cumulative impact these proposals may have on the retail hierarchy. Consequently, Council commissioned HillPDA to prepare the *Liverpool Cumulative Economic Impacts Study* (July, 2012) which assessed the impact of three proposed (at the time of the report) amendments, namely:

- **Amendment 19, B6 zoned land at Orange Grove Road, Warwick Farm, which rezoned land fronting Orange Grove Road from B5 to B6 uses. It also increased the limit of**

individual retail premises permitted in the B6 zone to 1,600m² which will permit a number of retail stores such as Dan Murphy's and ALDI to operate from B6 land.

- **Amendment 22 – 5 Viscount Place, Orange Grove Road.** Proposal to facilitate the development of a 19,000m² (GFA) discount outlet centre, which has now been approved.
- **Amendment 26 – Costco at Crossroads.** Proposal to facilitate the development of a 13,000m² Costco large format retail premises, which has now been constructed and is operational.

HillPDA found that the Liverpool City Centre and Casula would experience only a 'low to moderate' impact associated with the above proposals of -7.8% and -8.9% reduction in turnover in 2016, respectively. All other centres would experience minimal impacts involving a reduction of less than -5% in turnover in 2016.

The impact analysis prepared by HillPDA is based on a 'bespoke gravity model', which represents a different methodology from those employed by Leyshon and Deep End in their reports, and by Essential Economics as presented later in this report.

Retail gravity models are sometimes useful tools in retail analysis, particularly in large-scale projects which involve many centres spread over a large geographic area. The use of retail gravity models in these circumstances enables a cost-effective way of assessing retail markets where 'ground-truthing' and gathering specific data and information on how individual centres operate would be a comparatively expensive exercise.

However, not many retail economic firms in Australia use retail gravity models when assessing the local impacts of retail developments. Rather, the strong preference is to gather information regarding the individual characteristics of retail centres and their catchments, and to use this information (along with other forms of analysis and experience) to provide a professional assessment of the local retail market.

2 OVERVIEW OF METHODOLOGIES, ASSUMPTIONS AND KEY FINDINGS

This Chapter provides an overview and commentary of the key findings, methodologies and key assumptions used in the Leyshon EIA and the Deep End report.

2.1 Overview of Key Findings

The key findings of the Leyshon EIA are as follows:

- The proposed Orange Grove centre can be supported and would only need to capture 8.7% of available retail spending by trade area residents in 2019.
- The expansion of retail facilities at Orange Grove will have relatively modest impacts on existing centres, including the following:
 - An impact of -5.0% on the Liverpool CBD as a whole and -5.8% on Westfield Liverpool
 - An impact of -1.7% to -7.3% on other identified centres in the region, with the majority of impacts being less than -4.0%.
- The estimated impacts would not undermine or materially affect the viability of any shopping centre.
- The proposed Orange Grove development has the potential to result in net employment growth of 576 jobs including full-time and part-time positions.

The Deep End report supports the Leyshon finding that the proposed development could be accommodated within the surrounding retail hierarchy without generating significant adverse impacts on other centres. In general, the level of impacts illustrated in the Leyshon EIA and the Deep End report are similar.

Deep End also provide support for the methodology used and the level of detailed provided in the Leyshon EIA.

2.2 Overview and Comment on Methodologies

The main purpose of the Leyshon EIA and Deep End report was to identify whether demand exists for the proposed retail development and to assess likely economic impacts of the proposal, including the impact on sales at alternative centres in the region.

Leyshon and Deep End both use similar methodologies in assessing retail demand, estimating retail sales of the proposed development at Orange Grove, and estimating the impact and cumulative impact of the proposal (and other approved developments) on retail sales at other centres in the region. The methodologies, in general terms, used by Leyshon and Deep End are accepted methodologies in the retail-economic industry and are described below.

Identifying retail demand in the region

Leyshon estimates demand for 370,000m² of additional retail floorspace by 2031 by residents in Liverpool Trade Area as identified in the LRCHR, based on retail spending information provided in the LRCHR. Although the derivation of this figure is not stated by Leyshon, it is assumed that an average sales level has been applied to the retail spending figures quoted in the report. This methodology is used later in the Leyshon report to estimate demand for retail floorspace in the Orange Grove Trade Area, estimated at 34,250m² to 43,535m² between 2011 and 2021.

Deep End provide a high level analysis of retail demand for the Liverpool and Fairfield municipalities and the identified trade area by applying accepted industry benchmarks of retail floorspace per capita to forecast population. Based on an average of 2.2m² of retail floorspace per capita in 2011 increasing to 2.4m² by 2031, Deep End forecast demand for additional retail floorspace of 288,550m² between 2011 and 2031 in Liverpool and Fairfield. It is acknowledge by Deep End that retail facilities in Liverpool will not capture all of this retail demand.

Deep End also forecast demand for an additional 50,600m² of retail floorspace in the trade area between 2011 and 2021 based on a similar methodology.

Deep End then use the average provision of supermarket and DDS floorspace per 1,000 residents to illustrate that Liverpool has a comparatively low supply of these retail facilities compared to other municipalities in outer-Sydney. Once again, this is an accepted methodology for illustrating supply of retail facilities at a regional level.

While the methodologies used by both consultants to quantify retail floorspace demand in the trade area are both accepted methodologies, this type of analysis is 'broad' in nature and basically illustrates that demand for additional retail floorspace will occur in areas of population and spending growth. Both Leyshon and Deep End acknowledge the 'broad' nature of this analysis.

The analyses do not take into account the existing supply of retail floorspace in the trade area, the specific role of centres in the trade area, the extent to which other competing centres beyond the trade area serve the needs of trade area residents, the type of retail floorspace that is require (with the exception of supermarkets), or where this additional floorspace should be located.

While this analysis is useful in terms of obtaining a broad indication of retail demand generated by population and expenditure growth, considerations with more relevance to the assessment of the merits of the proposal are the following:

- 1 Assessment of whether the proposal can be supported in market terms
- 2 Assessment of whether the impacts of the development would contribute to a loss of sales at competing centre at a level that would detrimentally affect the broader retail hierarchy.

Both consultants address these elements later in their reports.

Further commentary is provided in Section 3.4.

Estimating centre sales

Both Leyshon and Deep End use a 'trade area and market share' approach to estimating centre sales. This approach involves identifying a trade area from which the majority of sales are estimated to be derived, and then forecasting population growth and retail spending of trade area residents.

Leyshon then applies what they believe to be achievable market shares to derive estimated sales at the proposed Orange Grove centre. Deep End state that they have undertaken this process for each component of the proposed development (i.e. DDS, supermarket, mini-majors, speciality retail).

The methodologies described above are accepted throughout the retail-economic industry.

Further commentary is provided in Section 3.5.

Estimating economic impacts

Leyshon applied the following methodology to estimating the impact of the proposal on sales at other centres in the region:

- Estimating centre sales in 2013
- Estimating centre sales in 2016 prior to the development of various approved developments (refer Section 2.3 of this report)
- Estimating centre sales in 2016 after the development of stated approved developments (refer Section 2.3 of this report)
- Estimating centre sales in 2019 prior to the proposed development of the Orange Grove centre
- Estimating centre sales in 2019 after the proposed development of the Orange Grove centre.

Deep End provide an assessment of the impacts of the proposed centre in 2019 on competing centres only; however, reviews the impacts identified in the Leyshon EIA for 2016 and in principle, appears to agree with the overall findings.

Both consultants take into consideration the estimated sales at the proposed new Orange Grove centre (in 2019), the implications of the loss of sales at the site associated with the closure of the markets, and the implications of positive impacts for bulky goods retailers associated with the development of the new centre.

The economic impact analysis is influenced by the assumptions used by each consultant relating to proposed developments. We address these in the following Section. However, it appears that the Leyshon EIA have combined the impacts of the approved re-introduction of

the Orange Grove Outlet centre with the development of the Woolworths at Casula in 2016. This makes it difficult to assess the 'cumulative' impacts of retail development at Orange Grove. The impacts of the Orange Grove outlet centre are assessed separately from other proposals in our economic impact assessment presented in Chapter 4.

Furthermore, the EIAs assessed the impacts of selected centres only. Many centres are unlikely to be impacted by retail developments due to their limited competitive relevance to the proposed development; this may be a result of distance from the development or the role of the centre; therefore, it is not necessary to assess the impacts of every centre. However, it is our view that the following centres should be included in the economic impact assessment as potential exists for impacts to occur due to the presence major supermarkets within the centres and the extent that they may currently capture sales from the trade area:

- Fairfield Market Plaza / Fairfield West
- Fairfield Heights
- Chipping Norton.

These centres are included in the economic impact assessment presented in our Chapter 4.

2.3 Overview of Key Assumptions

Both the Leyshon EIA and the Deep End report assess the impact of the proposed Orange Grove development in 2019 (its assumed first full-year of trading) and the cumulative impact of a number of other approved developments in the surrounding region which are assumed to be developed over the period 2013 to 2019.

The Leyshon EIA identifies the following as assumptions used in the impact assessment:

- **Dan Murphy's at Orange Grove, the Orange Grove Outlet Centre and the Costco at Crossroad will be constructed and operational, with 2016 being the first full-year of trading.**

Dan Murphy's recently opened, while the Costco at Crossroads opened in late 2013, with 2014 being its first full calendar year of trading. At the time of preparing this review report (September 2015) the progress of the outlet centre is unknown; however, based on a field visit to the site it appears unlikely that it will be operational by January 2016. Therefore, the assessment of impacts presented later in this report assumes 2017 will be the first full year of trading for the outlet centre.

The Deep End report also takes into consideration these developments over the period 2013 to 2016.

Some confusion exists regarding the extent of floorspace that will be provided at the Orange Grove outlet centre. Leyshon state on page 3 of the EIA that 19,000m² of Gross Leasable Area (GLA) will be provided at the outlet centre; however, Deep End state that 19,000m² Gross Floor Area (GFA) will be provided and that this may result in approximately 15,000m² of GLA. Amendment 22 to the Liverpool LEP states that up to

19,000m² of GFA is permitted. We agree with Deep End that this may result in approximately 15,000m² of GLA. (Note that GLA *excludes* common floor areas, such as walkways, amenities, etc; GFA *includes* these components). Gazcorp have approval (DA920/2014) for Stage 1 of the outlet centre comprising 14,440m² GFA.

Leyshon estimate that the outlet centre would achieve sales of \$63m in 2016; however, the EIA provides no explanation as to how this figure is derived. Deep End estimate sales of the outlet centre at \$67m, assuming an average sales figure of \$4,500/m² and applying this to the 15,000m² of GLA. Deep End reference average sales levels of other outlet centres to justify this assumption.

HillPDA in the *Liverpool Cumulative Economic Impacts Study* (July, 2012) estimated the outlet centre would achieve sales of \$83m in 2016 (in constant 2010 dollars) from a total GFA of 15,300m², which equates to \$5,425/m² of GFA.

Our view is that the average sales level for an outlet centre at Orange Grove is more likely to be in the order of \$5,000/m² (of GLA), making total estimated sales of the outlet centre approximately \$75m (in constant 2014 dollars) assuming 15,000m² of GLA. DFO Moorabbin in Victoria is indicative of a well-established suburban outlet centre and achieves average sales of approximately \$5,380/m² (source: Novion Property Group).

Our estimate of sales at the outlet centre of \$75m lies between the estimates of sales for 2016 by Leyshon (\$63m), Deep End (\$67m) and HillPDA (\$83m in 2010 dollars).

- **Approved 9,700m² expansion of the Bonnyrigg Plaza is assumed to occur between 2016 and 2019.**

Leyshon notes that this expansion is yet to commence and that it was approved by the Fairfield City Council in 2010. Consultation with centre management at Bonnyrigg Plaza and Fairfield City Council planning officers confirms that this development approval has now lapsed and that no formal application has been made for a refurbishment or redevelopment of the centre. However, we understand that a formal application will be made by the owners of the centre for a refurbishment/expansion in the near-term; the actual format of any refurbishment/redevelopment is unknown.

Furthermore, the IGA at Bonnyrigg Plaza that contained approximately 2,680m² of floorspace has recently closed, leaving a large vacancy in the centre.

Deep End also assumes the Bonnyrigg Plaza expansion will occur between 2016 and 2019. However, Deep End state that a proposal for a new centre identified in the Leyshon EIA and located to the north-west of Bonnyrigg Plaza is unlikely to occur should the expansion to Bonnyrigg Plaza eventuate. Discussions with Fairfield City Council officers did not indicate an active development proposal for another centre in Bonnyrigg.

Having regard for the above, it would be reasonable to assume that if an expansion of Bonnyrigg Plaza is occur in the future, this will occur after 2019. Therefore, this expansion has not been included in the economic impact assessment presented in Chapter 4. The impact assessment assumes that the status quo continues at Bonnyrigg

Plaza, including a presence of a large vacancy. Therefore, the impacts on Bonnyrigg Plaza presented in Chapter 4 represent a worst case scenario for this centre. The impacts will be mitigated to some degree should the large vacancy be tenanted in the near future.

- **The proposed Orange Grove Centre and relocation of the bulky good centre will occur, with 2019 being the first full-year of trading.**

This assumption is reasonable for the purpose of assessing retail trading impacts. This assumption is also assumed by Deep End in their assessment.

- **No other major changes to existing centres within the trade area are planned in the period 2016 to 2019.**

This assumption is reasonable for the purpose of assessing retail trading impacts. This assumption is also assumed by Deep End in their assessment.

Although not specified in *Section 4.2 Assumptions* in the Leyshon EIA, it appears that the impact assessment also takes into consideration the following developments:

- **Approved 4,200m² Woolworths supermarket at Casula, which is currently under-construction. The Leyshon EIA assumes this will become operation by 2016.**

This is a reasonable assumption.

- **Significant expansion of Stockland Wetherill Park, including more than 15,000m² of retail floorspace, including the introduction of a new Coles supermarket of 4,200m².**

Despite this expansion being due for completion in 2016, it appears that the Leyshon EIA assumes this will occur prior to 2016. This issue regarding the timing of the expansion of Stockland Wetherill Park is also identified by Deep End.

It would be reasonable to assume that the expansion of Stockland Wetherill Park will occur prior to 2017.

In addition to the above, the following proposals were identified in the Leyshon EIA; however, it is difficult to assess whether they have been included in the impact analysis. These proposals may have been excluded from the analysis as they are unlikely to have a significant impact on the outcomes:

- An approved 7,000m² centre at Holsworthy.
- Proposed new 22,000m² centre at Edmondson Park. This centre is likely to be developed over two stages.
- Proposed new Woolworths supermarket at Prestons, which Liverpool City Council advises has recently been refused.

Overall, it is evident that some changes to assumptions regarding proposed developments may be warranted in the independent assessment of impacts presented in Chapter 4 of this report. While these changes may not result in significant changes to the estimated impacts, it would

be prudent to update these assumptions for the purpose of providing a current assessment. The assumptions upon which the independent assessment of impacts is based is provided in Chapter 4.

2.4 Comment on Methodologies and Assumptions

In general terms, the methodologies adopted by Leyshon and Deep End reflect those typically adopted by retail economists, including Essential Economics.

However, it is important that the data sources, assumptions and analysis are thoroughly peer-reviewed by an independent consultant. In particular, limited information is provided by both consultants on how individual centre sales are estimated as part of the impact analysis.

In addition, a number of changes have occurred in the local retail market since the preparation of the Leyshon and Deep End reports. Due to these changes, it is appropriate to undertake an independent assessment of impacts that takes into consideration the *current* situation regarding approved developments. For this reason, the independent assessment presented later in this report will be undertaken with reference to the following years: 2015, 2017 and 2019. The assumptions regarding approved development over these years are provided in Chapter 4.

The following Chapter 3 provides our peer review of the key data inputs and demand analysis. The subsequent Chapter 4 provides our independent and up-to-date assessment of the potential impacts likely to arise from the proposed development at Orange Grove.

3 PEER REVIEW OF KEY DATA INPUTS AND DEMAND ANALYSIS

This Chapter assesses the data inputs, demand analysis and sales estimates for the proposed Orange Grove centre, and is undertaken in conjunction with our own independent analysis.

3.1 Review of Trade Areas

The Leyshon EIA identified a trade area for the proposed Orange Grove centre which takes into consideration the location of competing centres, the surrounding arterial road network and the fact that the proposed centre will be co-located with a bulky goods centre and an outlet centre, both of which typically attract customers from large geographic areas. Retail economists will typically consider these factors when defining trade areas.

The trade area identified in the Leyshon EIA is shown in Figure 3.1 on the following page and is considered appropriate for the purpose of assessing the opportunity for the proposed development and assessing its potential impacts.

Deep End identified an alternative trade area, also shown in Figure 3.1, which extends further to the north and the west. Reasons for identifying this larger trade area include the following:

- Excellent road access to the suburbs in these areas
- A relatively limited travel time of only 7 minutes from these suburbs to the subject site
- The notion that residents in these suburbs already travel past the subject site to shop at Liverpool CBD.

The above reasons for a larger trade area are all valid and the alternative trade area identified by Deep End is also appropriate for the purpose of this assessment. Although the difference in the trade areas appears minimal from a geographic perspective, Deep End estimate that the 2014 population in the alternative trade area is approximately 18% greater than the population in the trade area identified in the Leyshon EIA.

The use of different trade areas in estimating sales and market shares can be mitigated by other assumptions used in the retail analysis including, in particular, the share of sales derived from beyond the trade area. While Deep End adopt the Leyshon EIA trade area in the impact analysis, they assume 20% of sales at the proposed Orange Grove centre will be derived from beyond the trade area. This compares to Leyshon's 15% of sales derived from beyond the trade area and reflects Deep End's view that the proposed centre will capture sales from a slightly larger geographic area.

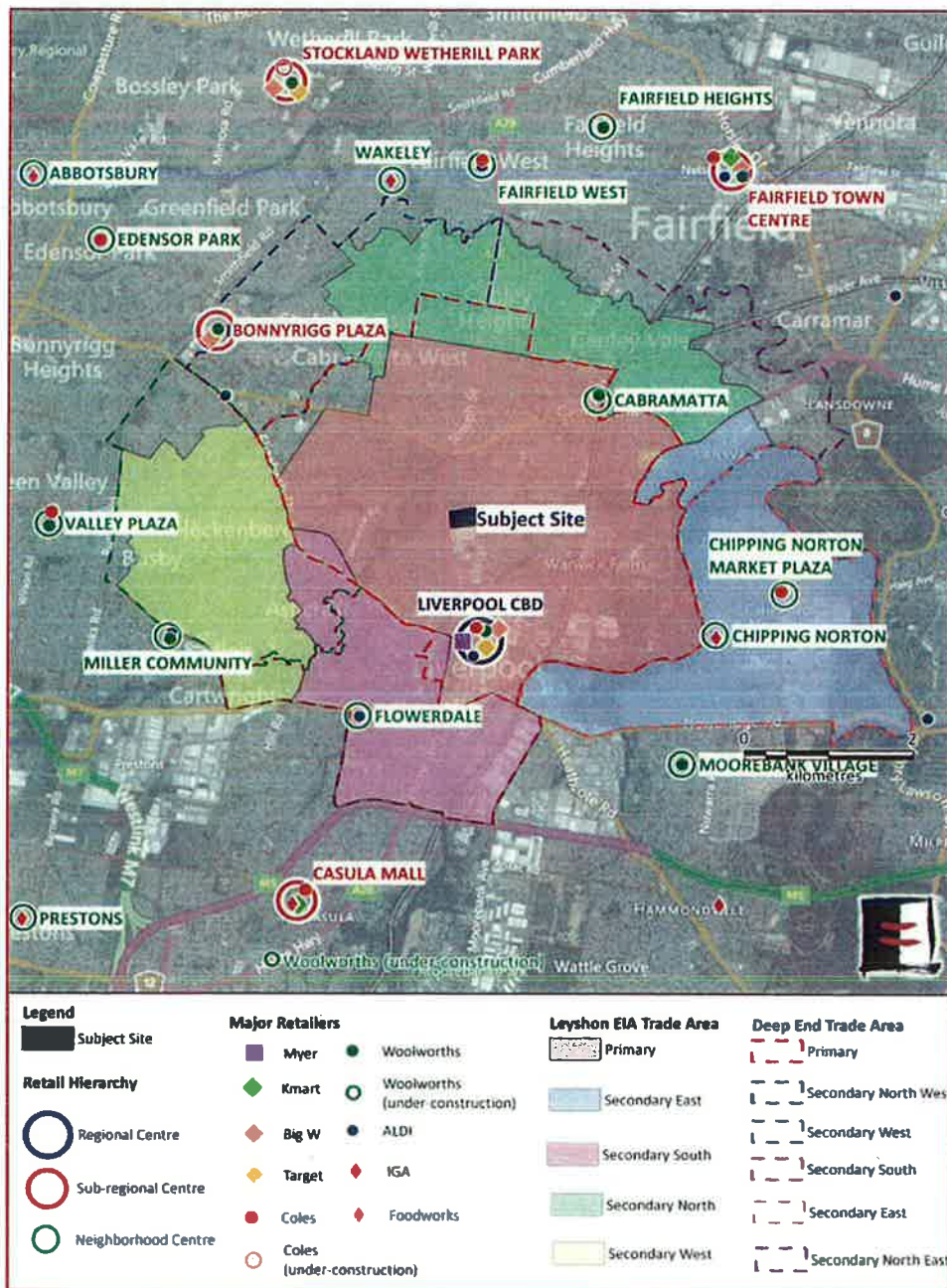
In order to maintain consistency, we adopt the trade area identified in the Leyshon EIA for the purpose of our independent assessment shown later in this report; however, we take into consideration the factors identified by Deep End when assessing the share of sales that may be derived from beyond the trade area. In particular, the recent closure of the IGA at Bonnyrigg

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Plaza and the unlikelihood that Bonnyrigg Plaza will be expanded in the near future increases the potential for the proposed Orange Grove centre to attract customers from beyond the western boundaries of the trade area.

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Figure 3.1: Orange Grove Trade Area



Source: Leyshon, Economic Impact Assessment – Proposed Orange Grove Centre, April 2015; Deep End, Orange Grove Centre – Peer Review of Economic Impact Assessment, 31 March 2015; MapInfo; Bingmap; Essential Economics

3.2 Review of Population Forecasts

Leyshon estimates the trade area population for 2011 based on ABS Census data and a set of forecasts for each trade area sector that have been prepared internally by Leyshon Consulting. The basis of these forecasts is unknown; however, Leyshon does refer to DPE forecasts at the Local Government Area (LGA) level earlier in the EIA.

Deep End have also prepared a set of population forecasts for each trade area sector based on Bureau of Transport Statistics (BTS) population forecasts, and these are based in turn on DPE population forecasts at the LGA level which have been distributed to smaller geographic areas based on known development and migration patterns.

A review of the BTS forecast population growth rates for areas which broadly reflect each trade area sector has been undertaken and compared to recent population growth rates (2006-2014) based on official ABS population data at the Statistical Local Area 1 level. This comparison is shown in Table 3.1 and illustrates that the BTS forecast population growth rates are significantly below the level of recent population growth that has occurred based on ABS data.

Table 3.1: Comparison of Recent Population Growth Rates in the Trade Area and Forecast BTS Forecast Population Growth Rates

Category	PTA	STA-East	STA-North	STA-South	STA-West
Average Annual Population Growth, 2006-2014 (ABS)	1.6%	1.4%	1.1%	2.1%	1.2%
Average Annual Population Growth based on BTS Forecasts, 2011-2016	1.1%	0.3%	0.6%	0.9%	0.2%
Average Annual Population Growth based on BTS Forecasts, 2016-2021	1.5%	0.4%	0.7%	0.3%	0.3%

Source: ABS, ERPs by SA1, annual; Bureau of Transport Statistics, Population Forecasts, 2011-41

We have prepared our own set of population forecasts which take into consideration the DPE and BTS forecasts, and recent population growth trends. These forecasts are shown in Table 3.2 and compared against the population forecasts of Leyshon and Deep End.

In essence, our population forecasts lie between those of the other consultants. For instance, in 2021, we estimate that the trade area will have a population of approximately 129,680 persons, which is below the 131,067 persons as forecast by Leyshon but above the 126,672 as forecast by Deep End.

Table 3.2: Trade Area Population Forecast Comparison, 2011-2021

Category	Leyshon EIA	Deep End	Essential Economics
<u>Estimated Resident Population</u>			
2011	114,679	114,984	114,980
2014	119,743	119,727	119,570
2016	123,254	121,552	122,120
2021	131,067	126,672	129,680
<u>Average Annual Growth</u>			
2011-14	1.5%	1.4%	1.3%
2014-16	1.5%	0.8%	1.1%
2016-21	1.2%	0.8%	1.2%

Source: Essential Economics; ABS, ERPs by SA1, annual; Bureau of Transport Statistics, Population Forecasts, 2011-41

Population forecast for each trade area sector for the years 2015, 2017, 2019 and 2021 have been prepared for the purpose of our independent assessment, as shown in Table 3.3.

Table 3.3: Population Forecasts, 2011-2021

Category	PTA	STA- East	STA - North	STA - South	STA - West	STA - Total	Total
<u>Estimated Resident Population</u>							
2011	44,950	10,700	24,310	17,440	17,580	70,030	114,980
2015	46,880	11,650	25,340	18,500	18,460	73,950	120,830
2017	48,090	12,010	25,680	18,990	18,830	75,510	123,600
2019	49,510	12,370	26,070	19,450	19,210	77,100	126,610
2021	50,970	12,740	26,460	19,920	19,590	78,710	129,680
<u>Average Annual Growth</u>							
2011-15	1.1%	2.1%	1.0%	1.5%	1.2%	1.4%	1.2%
2015-17	1.3%	1.5%	0.7%	1.3%	1.0%	1.0%	1.1%
2017-19	1.5%	1.5%	0.8%	1.2%	1.0%	1.0%	1.2%
2019-21	1.5%	1.5%	0.7%	1.2%	1.0%	1.0%	1.2%

Source: Essential Economics; ABS, ERPs by SA1, annual; Bureau of Transport Statistics, Population Forecasts, 2011-41

3.3 Review of Retail Expenditure Estimates

Average Per Capita Retail Expenditure

The average per capita retail expenditure estimates shown in the Leyshon EIA are based on the ABS Household Expenditure Survey 2009-10 (HES), and are then adjusted to reflect demographic characteristics of the local population and inflation.

Deep End use *MarketInfo* for the purpose of assessing retail expenditure estimates at the local level. MarketInfo is a micro-simulation model that estimate retail expenditure at a local level

based on ABS Census data and HES data, and is then benchmarked against various other data sources including ABS National Accounts data and taxation data.

MarketInfo is an accepted model in the retail economics and property industry for estimating retail expenditure at the local level, and is also used by Essential Economics. Consequently, our estimates of average per capita retail expenditure by trade area residents are more aligned with those of Deep End compared to those of Leyshon.

A comparison of the average per capita retail expenditure is shown in Table 3.4 which illustrates that our estimates of per capita expenditure in 2014 are 6% above those of Deep End and 21% above those of Leyshon.

Leyshon apply an average real growth rate (i.e. excluding the effects of inflation) of 1% per annum to all retail categories, while Deep End reference forecasts prepared by Deloitte Access Economics and apply these different growth rates for each product category, but which combine to reflect an average real growth of 0.8% per annum between 2014 and 2021.

We agree with Deep End that it is appropriate to use different real growth rates for different product categories; however, our forecast real growth rates reflect long-term averages experienced throughout the national economy based on analysis of National Accounts Data. We estimated the average real growth in per capita retail expenditure will be approximately 1% per annum over the period 2014 to 2021. However, our assumptions on growth by product category differ. For instance, Deep End assume that real per capita spending on Food and Groceries expenditure will increase at 1.5% per annum between 2014 and 2021, whereas we assume more subdued growth of 0.3% per annum in this sector.

Table 3.4 provides a comparison of average per capita retail expenditure for 2014 and 2021.

Table 3.4: Comparison of Average Retail Expenditure Per Capita by Trade Area Residents, 2014 and 2021 (\$2014)

Year	Leyshon EIA	Deep End	Essential Economics
2014	\$8,458	\$10,078	\$10,670
2021	\$9,088	\$10,634	\$11,470
Average annual real growth, 2014-21	1.0%	0.8%	1.0%

Source: Leyshon, Economic Impact Assessment – Proposed Orange Grove Centre, April 2015; Deep End, Orange Grove Centre – Peer Review of Economic Impact Assessment, 31 March 2015; MarketInfo; Essential Economics

Total Retail Expenditure

Table 3.5 provides a comparison of the total retail expenditure of trade area residents as forecast by each consultant. The differences reflect the changes in population growth (refer Section 3.2) and forecasts in average per capita retail expenditure (refer above).

Our estimates of total retail expenditure in 2021 are 20% above those forecast by Leyshon and reflect the higher average per capita retail expenditure estimates and essentially the difference between the HES based and MarketInfo based estimates.

In addition, our estimates are also 6% above those estimated by Deep End, reflecting our stronger population growth and real retail expenditure growth forecasts.

Table 3.5: Comparison of Total Trade Area Retail Expenditure, 2014-2021

Year	Leyshon	Deep End	Essential Economics (EE)	EE variation from...	
				Leyshon	Deep End
2014	\$1,012.8m	\$1,206.6m	\$1,239.3m	+22.4%	+2.7%
2016	\$1,064.2m	\$1,273.9m	\$1,283.6m	+20.6%	+0.8%
2021	\$1,191.1m	\$1,347.0m	\$1,433.5m	+20.4%	+6.4%

Source: Leyshon, Economic Impact Assessment – Proposed Orange Grove Centre, April 2015; Deep End, Orange Grove Centre – Peer Review of Economic Impact Assessment, 31 March 2015; MarketInfo; Essential Economics

Supermarket Retail Expenditure

Both Leyshon and Deep End provide estimates of supermarket retail expenditure.

Leyshon's estimates appear to be based on the assumption that 32% of total retail expenditure is undertaken at supermarkets, although this is not stated in the EIA.

Deep End base their estimates of supermarket expenditure on assumptions regarding the share of Food & Grocery spending directed to supermarkets (at 70%) plus an additional 6% in spending associated with non-Food & Grocery merchandise typically undertaken at supermarkets and which may include limited apparel, stationery, garden products, kitchen accessories, etc.

We would typically adopt the methodology used by Deep End. Furthermore, the assumptions used by Deep End also appear reasonable. However, upon review of the Deep End analysis, it is not clear whether spending on Liquor is included in the Food & Grocery spending category. We would typically include Liquor in this analysis and it is assumed in the figure shown in Table 3.6 that Liquor is included in the Deep End Food & Grocery category.

Table 3.6 provides a comparison of estimates of supermarket expenditure by the three consultants.

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Table 3.6: Comparison of Supermarket Expenditure, 2014-2021

Year	Leyshon	Deep End	Essential Economics (EE)	EE variation from...	
				Leyshon	Deep End
2014	\$324.1m	\$388.6m	\$414.5m	+27.9%	+6.7%
2016	\$340.6m	\$412.1m	\$424.4m	+24.6%	+3.0%
2021	\$381.2m	\$455.6m	\$458.3m	+20.2%	+0.6%

Source: Leyshon, Economic Impact Assessment – Proposed Orange Grove Centre, April 2015; Deep End, Orange Grove Centre – Peer Review of Economic Impact Assessment, 31 March 2015; MarketInfo; Essential Economics

Essential Economic Retail Expenditure

Retail expenditure forecast for each trade area sector and retail category for the years 2015, 2017 and 2019 have been prepared for the purpose of our independent assessment. These forecasts are shown in Table 3.7.

Table 3.7: Essential Economics Retail Expenditure, 2015-2021

Retail Category / Year	PTA	STA - East	STA - North	STA - South	STA - West	Total Trade Area
2015						
Food, Liquor and Groceries	\$209.2m	\$64.1m	\$114.8m	\$86.7m	\$86.3m	\$561.0m
Food Catering	\$56.9m	\$22.8m	\$30.5m	\$23.8m	\$20.2m	\$154.1m
Non-food and Services	\$198.0m	\$77.8m	\$109.2m	\$80.9m	\$76.8m	\$542.7m
Total Retail	\$464.1m	\$164.6m	\$254.4m	\$191.3m	\$183.3m	\$1,257.7m
2017						
Food, Liquor and Groceries	\$216.8m	\$66.7m	\$117.5m	\$89.8m	\$88.9m	\$579.6m
Food Catering	\$58.9m	\$23.7m	\$31.2m	\$24.6m	\$20.8m	\$159.2m
Non-food and Services	\$209.5m	\$82.6m	\$114.1m	\$85.7m	\$80.9m	\$572.8m
Total Retail	\$485.2m	\$173.0m	\$262.9m	\$200.1m	\$190.5m	\$1,311.7m
2019						
Food, Liquor and Groceries	\$224.5m	\$69.1m	\$120.0m	\$92.5m	\$91.2m	\$597.2m
Food Catering	\$61.5m	\$24.8m	\$32.1m	\$25.6m	\$21.5m	\$165.5m
Non-food and Services	\$223.6m	\$88.3m	\$120.1m	\$91.0m	\$85.5m	\$608.4m
Total Retail	\$509.6m	\$182.1m	\$272.2m	\$209.0m	\$198.2m	\$1,371.1m

Source: MarketInfo; Essential Economics

3.4 Review of Trade Area Retail Demand Analysis

The forecast population growth and retail expenditure in the trade area will generate demand for additional retail floorspace. Leyshon and Deep End provide varying high-level analyses which quantify demand for additional retail floorspace, with the results summarised below:

- **Leyshon:** Forecast demand for an additional 34,250m² to 43,535m² of retail floorspace between 2011 and 2021, including 8,020m² to 9,435m² of supermarket floorspace.

Leyshon's analysis is based on forecast retail expenditure growth between 2011 and 2021 with the application of average retail sales levels.

- **Deep End:** Forecast demand for an additional 50,600m² of retail floorspace between 2011 and 2021, including 6,120m² supermarket floorspace.

Deep End's analysis is based on applying industry accepted benchmarks for retail floorspace per capita.

As indicated in Section 2.2, the methodologies used by each consultant to quantify retail floorspace demand in the trade area are both accepted methodologies. However, as each consultant indicates, this analysis is 'broad' in nature and basically illustrates that demand for additional retail floorspace will occur in areas of population and spending growth. The analyses do not take into account the existing supply of retail floorspace in the trade area, the specific role of centres in the trade area (in particular the Liverpool CBD which would serve a larger trade area than that of Orange Grove), the extent to which other competing centres beyond the trade area serve the needs of trade area residents, the type of retail floorspace that is required (which the exception of supermarkets), or where this additional floorspace should be located.

For the purpose of providing a 'broad' indication of whether additional retail floorspace will be required in the trade area in order to serve a growing population, the analyses of Leyshon and Deep End are appropriate. However, of more relevance to the assessment of the merits of the proposal are the following:

- 1 Assessment of whether the proposal can be supported in market terms.

Leyshon provide this in the form of a sales and market share analysis (refer Section 3.5 of our report)

- 2 Assessment of whether the impacts of the development would contribute to a loss of sales at competing centre at a level that would detrimentally affect the broader retail hierarchy.

Leyshon and Deep End provide this in the form of the impact analysis (refer Chapter 4 of our report).

3.5 Review of Retail Sales Forecasts at Proposed Orange Grove Centre, 2019

The Leyshon EIA estimates the proposed new centre at Orange Grove will achieve approximately \$116.5m in sales in 2019 (in 2014 dollars), which is the centre's first full-year of trading. This estimate is based on the centre capturing various market shares from the different trade area sectors. In total, Leyshon estimates that the new Orange Grove centre will achieve a market share of 8.7% of trade area retail expenditure and capture a further 15% of its sales from beyond the trade area.

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The Leyshon EIA does not provide estimated sales by retail type (e.g. DDS, mini-major, etc) apart from a broad indication that the supermarkets would expect to achieve between \$50m and \$55m in sales.

Deep End estimate the proposed new centre will achieve a similar level of sales of \$115.6m (in 2014 dollars). This estimate is based on a market share assessment of the individual retail categories. Although the market share analysis is not provided in the Deep End report, we estimate based on the information available that Deep End forecast the centre to achieve a 7.1% market share of trade area retail expenditure in 2019. Deep End assume 20% of sales will be derived from beyond the trade area and this reflects comments in the Deep End report regarding the potential for the centre to serve a larger trade area than that identified in the Leyshon EIA.

We have undertaken our own independent market share and sales estimates, with the results and comparisons with the other consultants estimates shown in Tables 3.8 and 3.9.

Our analysis indicates that the proposed new Orange Grove centre will achieve sales of approximately \$118.2m (in 2014 dollars) in 2019, which is similar to the estimates of the other consultants. Furthermore, the average sales levels as estimated by Deep End and Essential Economics of each retail component are in-line with industry averages and the expectations for a retail development at the site.

Table 3.8: Proposed Orange Grove Centre Sales and Market Share, 2019 (\$2014)

Category	Leyshon EIA	Deep End	Essential Economics
Total centre sales	\$116.5m	\$115.6m	\$118.2m
Average sales	\$7,061/m ²	\$7,004/m ²	\$7,160/m ²
Market share (of total trade area)	8.7%	7.1% ¹	7.1%
Share of sales from beyond trade area	15%	20%	18%

Source: Leyshon, Economic Impact Assessment – Proposed Orange Grove Centre, April 2015; Deep End, Orange Grove Centre – Peer Review of Economic Impact Assessment, 31 March 2015; Essential Economics

Note: ¹ derived

Table 3.9: Proposed Orange Grove Centre Sales by Retail Type, 2019 (\$2014)

Category	Leyshon EIA	Deep End		Essential Economics	
	Est. Sales	Est. Sales	Av. Sales	Est. Sales	Av. Sales
DDS	na	\$22.8m	\$4,150/m ²	\$23.3m	\$4,240/m ²
Supermarket	\$50-55m	\$52.7m	\$9,763/m ²	\$54.8m	\$10,150/m ²
Mini major	na	\$8.3m	\$5,500/m ²	\$8.3m	\$5,500/m ²
Speciality	na	\$31.8m	\$7,750/m ²	\$31.8m	\$7,750/m ²
Total Retail	\$116.5m	\$115.6m	\$7,004/m ²	\$118.2m	\$7,160/m ²

Source: Leyshon, Economic Impact Assessment – Proposed Orange Grove Centre, April 2015; Deep End, Orange Grove Centre – Peer Review of Economic Impact Assessment, 31 March 2015; Essential Economics

The main conclusions drawn from the review of sales estimates and our independent assessments are as follows:

- 1 The sales estimates and market shares estimated by Leyshon and Deep End are reasonable and within the expectations for a development such as that proposed at the subject site.
- 2 The market shares required to achieve estimated sales levels are considered achievable, indicating that sufficient trade area expenditure exists to support the proposed development.

3.6 Conclusion

The key data inputs and analysis of estimated sales and market shares of the proposed new Orange Grove centre undertaken by Leyshon and Deep End are reasonable for the purpose of assessing the opportunity for, and potential impact of the proposed development.

Although our specific findings in regard to trade area population, retail expenditure and estimated sales and market share differ, we agree with Leyshon and Deep End that a market opportunity exists for the development of a viable centre such as that proposed.

While the proposed centre can be supported by the retail expenditure of trade area residents, it will be important that its development does not detrimentally affect the viability of any one centre to an extent that it would reduce the overall level of services to the surrounding community. The following Chapter provides our independent assessment of the potential trading impacts that may arise from the proposed development.

4 INDEPENDENT ASSESSMENT OF ECONOMIC IMPACTS

This Chapter provides an independent assessment of the likely impacts of proposed retail development at Orange Grove in 2017 and 2019. A comparison of the impacts as assessed by Leyshon and Deep End is also provided.

4.1 Methodology and Assumptions

As indicated earlier, both Leyshon and Deep End rely on their professional 'judgement' to estimate the distribution of trading impacts arising from proposed developments. We also rely on our professional judgement to estimate the impacts and this is supported by analysis of the share of sales each identified centre captures from the trade area, the role of each centre, the tenant mix and the level of accessibility to the subject site.

The key steps undertaken in the impact analysis are as follows:

- 1 **Estimate the sales of identified centres in 2015** based on published sources and our understanding of the performance of each centre. Published sources include Shopping Centre News, Property Council of Australia Shopping Centre Directory, other consultant reports, and information available from centre managers and owners.
- 2 **Estimate the sales of identified centres in 2017 assuming no additional retail development occurs at Orange Grove** but the following approved developments occur during 2015-17:
 - Expansion of Stockland Wetherill Park
 - New Woolworths supermarket at Casula.

The impacts of the above developments have been distributed throughout the retail network.

- 3 **Estimate the sales of identified centres in 2017 assuming the development of the outlet centre at Orange Grove occurs.** This task makes the following assumptions:
 - The markets at Orange Grove will close
 - The first full-year of trading of the outlet centre at Orange Grove will be 2017
 - Bulky goods and other retailers at Orange Grove (e.g. Dan Murphy's, IGA, fast food outlets) will experience growth in sales due to the increased customer activity generated by the introduction of the outlet centre to Orange Grove. It is assumed that this increase in customer activity will lead to a 5% increase in sales.

The impacts of the above have been distributed throughout the retail network.

- 4 **Estimate the sales of identified centres in 2019 assuming no additional retail development occurs in the region;** this assumes each centre will continue to capture similar shares of sales from their respective trade areas as assessed from point 3 above.
- 5 **Estimate the sales of identified centres in 2019 taking into consideration the proposed new centre at Orange Grove.** This task makes the following assumptions:
 - The first full-year of trading of the proposed new centre at Orange Grove and the relocation of the bulky goods centre will be 2017.
 - Bulky goods and other retailers at Orange Grove (e.g. Dan Murphy's, IGA, fast food outlets) will experience growth in sales due to the increased customer activity generated by the development of the new centre. It has been assumed that this increase in customer activity will lead to a 5% increase in sales.

The impacts of the above have been distributed throughout the retail network.

The findings of our independent impact analysis are summarised in the following Section.

4.2 Impact Analysis

The impacts of approved (2017) and proposed (2019) retail development at Orange Grove are summarised in Table 4.1 and discussed below. Implications for specific centres are discussed in Section 4.3. Figures are expressed in 2014 dollars.

2017 Impacts

The trading impacts associated with the approved outlet centre at Orange Grove take into consideration the following:

- Estimated sales of \$75m at the outlet centre, assuming an average sales level of \$5,000/m²
- An estimated 5% uplift in sales at the bulky goods centre and other retail at Orange Grove
- A loss of \$26m in sales associated with the closure of the markets
- Total impact of \$53.4m to be distributed throughout the retail network.

The impacts of new retail development at Orange Grove in 2017 will largely be felt by Westfield Liverpool and Stockland Wetherill Park. These two centres are the most dominant centres in terms of apparel retailing in the region. It is estimated that the retail sales at Westfield Liverpool will decline by -1.8% (or -\$8.7m), while sales at Stockland Wetherill Park will decline by -1.9% (or -\$7.2m) as a result of the approved development. In total, sales at the Liverpool CBD are estimated to decline by -1.6% (or -\$10.9m).

These impacts are not expected to lead to the loss of retail facilities and services at these centres.

Impacts of the development of the outlet centre at Orange Grove will also be felt to a lesser degree (in dollar terms) at other centres identified in Table 4.1, and at other apparel and non-food based centres further afield including DFO Homebush.

2019 Impacts

The trading impacts associated with the proposed new centre at Orange Grove take into consideration the following:

- Estimated sales of \$118.2m at the proposed centre, including \$22.8m at the DDS, \$52.7m at supermarkets and \$40.1m at mini-majors and speciality shops.
- An estimated 5% uplift in sales at the bulky goods centre and other retail at Orange Grove
- Total impact of \$127.4m to be distributed throughout the retail network.

The impacts of the proposed development will be felt by both larger regional/sub-regional centres due to the extent of non-food retailing proposed for the site (e.g. DDS and mini-majors), and nearby neighbourhood-level supermarket based centres, taking into consideration 46% of estimated sales at the proposed centre will be associated with new supermarkets.

The impact analysis shown in Table 4.1 indicates that 33% of the sales at the proposed centre will be redirected from retailers at the Liverpool CBD, in particular from the Westfield Liverpool which is estimated to account for 29% of sales. Other centres that are expected to account for the larger share of sales are Stockland Wetherill Park (10% of sales), Cabramatta (6%), Fairfield Town Centre (5%) and Bonnyrigg Plaza (5%).

The following centres are forecast to experience the largest loss of sales (in dollar terms):

- Liverpool CBD: -\$41.4m (or -5.9% of sales)
 - Westfield Liverpool: -\$36.4m (or -7.3% of sales)
 - Balance of Liverpool CBD: -\$5.0m (or -2.5% of sales)
- Stockland Wetherill Park : -\$13.2m (or -3.4% of sales)
- Cabramatta: -\$7.6m (or -3.6% of sales)
- Fairfield Town Centre: -\$6.4m (or -1.7% of sales)
- Bonnyrigg Plaza: -\$6.1m (or -5.4% of sales).

The proposed retail development at Orange Grove is not expected to lead to a loss of sales of more than -8% at any centre, with the majority of impacts being less than a -5% loss of sales, as noted above. While the proposed development will introduce a new level of competition in non-food and supermarket retailing, it is not expected to lead to the reduction of retail facilities at existing centres.

Table 4.1 summarises the impact analysis, while discussion on the impact on specific centres is provided in Section 4.3.

Table 4.1: Estimated Impact of Proposed Retail Development at Orange Grove, 2017 and 2019 (constant 2014 dollars)

Centre	Estimated Annual Sales		Estimated Annual Sales		Impact (\$), 2017		Impact (%), 2017		Estimated Annual Sales		Impact (\$), 2019		Impact (%), 2019	
	2015	2017 (Pre Orange Grove Outlet Centre)	2017 (Post Orange Grove Outlet Centre)	2017 (Pre Orange Grove Outlet Centre)	2017 (Pre Orange Grove Outlet Centre)	2017 (Post Orange Grove Outlet Centre)	2017 (Pre Orange Grove Outlet Centre)	2017 (Post Orange Grove Outlet Centre)	2019 (Pre Orange Grove Development)	2019 (Post Orange Grove Development)	2019 (Pre Orange Grove Development)	2019 (Post Orange Grove Development)	2019 (Pre Orange Grove Development)	2019 (Post Orange Grove Development)
Oranges Grove														
Bulky goods	\$114.0m	\$117.8m	\$171.2m	\$53.4m	45.3%	\$127.2m	70.6%	\$307.3m	\$180.2m	\$127.2m	70.6%	\$307.3m	\$180.2m	70.6%
Markets	\$72.0m	\$74.2m	\$77.9m	\$3.7m	5.0%	\$4.1m	5.0%	\$86.1m	\$82.0m	\$4.1m	5.0%	\$86.1m	\$82.0m	5.0%
Outlet Centre	\$25.0m	\$26.2m	\$0.0m	-\$26.2m	-100.0%	\$0.0m	-	\$0.0m	\$0.0m	\$0.0m	-	\$0.0m	\$0.0m	-
Other retail	\$0.0m	\$0.0m	\$75.0m	\$75.0m	-	\$3.9m	5.0%	\$82.9m	\$78.9m	\$3.9m	5.0%	\$82.9m	\$78.9m	5.0%
Proposed new centre	\$17.0m	\$17.4m	\$18.3m	\$0.9m	5.0%	\$1.0m	5.0%	\$20.1m	\$19.2m	\$1.0m	5.0%	\$20.1m	\$19.2m	5.0%
	\$0.0m	-	-	-	-	\$118.2m	-	\$118.2m	-	\$118.2m	-	\$118.2m	-	-
Liverpool CBD														
Westfield Liverpool	\$683.3m	\$679.1m	\$668.2m	-\$10.9m	-1.6%	-\$41.4m	-5.9%	\$660.0m	\$701.4m	-\$41.4m	-5.9%	\$660.0m	\$701.4m	-5.9%
Balance of Liverpool CBD	\$489.3m	\$485.9m	\$477.2m	-\$8.7m	-1.8%	-\$36.4m	-7.3%	\$464.3m	\$500.6m	-\$36.4m	-7.3%	\$464.3m	\$500.6m	-7.3%
	\$194.0m	\$193.2m	\$191.0m	-\$2.2m	-1.1%	-\$5.0m	-2.5%	\$195.7m	\$200.7m	-\$5.0m	-2.5%	\$195.7m	\$200.7m	-2.5%
Cabramatta														
Bonnyrigg Plaza	\$205.0m	\$201.2m	\$199.9m	-\$1.3m	-0.6%	-\$7.6m	-3.6%	\$202.3m	\$209.9m	-\$7.6m	-3.6%	\$202.3m	\$209.9m	-3.6%
Stockland Wetherill Park	\$109.3m	\$109.2m	\$106.8m	-\$2.5m	-2.3%	-\$6.1m	-5.4%	\$105.4m	\$111.5m	-\$6.1m	-5.4%	\$105.4m	\$111.5m	-5.4%
Fairfield TC	\$240.0m	\$378.3m	\$371.2m	-\$7.2m	-1.9%	-\$13.2m	-3.4%	\$375.6m	\$388.9m	-\$13.2m	-3.4%	\$375.6m	\$388.9m	-3.4%
Casula Mall	\$357.0m	\$367.0m	\$364.6m	-\$2.4m	-0.6%	-\$6.4m	-1.7%	\$375.8m	\$382.2m	-\$6.4m	-1.7%	\$375.8m	\$382.2m	-1.7%
Carnes Hill	\$189.5m	\$185.5m	\$184.7m	-\$0.7m	-0.4%	-\$2.9m	-1.5%	\$189.7m	\$192.6m	-\$2.9m	-1.5%	\$189.7m	\$192.6m	-1.5%
Miller	\$144.8m	\$150.0m	\$149.7m	-\$0.2m	-0.2%	-\$0.9m	-0.6%	\$155.5m	\$156.4m	-\$0.9m	-0.6%	\$155.5m	\$156.4m	-0.6%
Valley Plaza	\$65.4m	\$64.4m	\$64.0m	-\$0.4m	-0.5%	-\$2.8m	-4.3%	\$63.7m	\$66.5m	-\$2.8m	-4.3%	\$63.7m	\$66.5m	-4.3%
Moorebank	\$86.7m	\$86.0m	\$85.6m	-\$0.4m	-0.4%	-\$3.3m	-3.7%	\$85.6m	\$88.9m	-\$3.3m	-3.7%	\$85.6m	\$88.9m	-3.7%
Costco	\$51.2m	\$50.9m	\$50.6m	-\$0.2m	-0.5%	-\$1.9m	-3.5%	\$50.7m	\$52.6m	-\$1.9m	-3.5%	\$50.7m	\$52.6m	-3.5%
Woolworths Casula	\$82.0m	\$83.5m	\$82.8m	-\$0.8m	-0.9%	-\$1.4m	-1.6%	\$85.7m	\$87.1m	-\$1.4m	-1.6%	\$85.7m	\$87.1m	-1.6%
Crossroads bulky goods	\$201.8m	\$209.5m	\$206.9m	-\$2.5m	-1.2%	-\$1.0m	-2.5%	\$213.1m	\$217.8m	-\$1.0m	-2.5%	\$213.1m	\$217.8m	-2.5%
Warwick Farm bulky goods	\$48.8m	\$50.4m	\$49.6m	-\$0.8m	-1.7%	-\$1.6m	-3.0%	\$50.6m	\$52.2m	-\$1.6m	-3.0%	\$50.6m	\$52.2m	-3.0%
Chipping Norton Plaza	\$39.5m	\$37.3m	\$36.9m	-\$0.4m	-1.1%	-\$2.0m	-5.3%	\$36.3m	\$38.3m	-\$2.0m	-5.3%	\$36.3m	\$38.3m	-5.3%
Fairfield West/Market Plaza	\$52.7m	\$52.3m	\$52.2m	-\$0.1m	-0.2%	-\$2.8m	-5.2%	\$51.2m	\$54.0m	-\$2.8m	-5.2%	\$51.2m	\$54.0m	-5.2%
Fairfield Heights	\$57.3m	\$57.8m	\$57.5m	-\$0.3m	-0.5%	-\$1.8m	-3.0%	\$58.1m	\$59.9m	-\$1.8m	-3.0%	\$58.1m	\$59.9m	-3.0%

Source: Essential Economics

4.3 Implications for Selected Centres

The implications of the proposed development on the Liverpool CBD and Bonnyrigg Plaza are discussed below. The Liverpool CBD is the regional centre serving Liverpool City Council and it is therefore important that the CBD continues to provide a competitive retail offering, while Bonnyrigg Plaza is considered to be a centre that is facing strong competition and is not currently a strongly performing centre.

Other centres are expected to be able to absorb the retail impacts associated with the proposed Orange Grove centre.

Liverpool CBD

Ensuring the continued viability of the Liverpool CBD is integral to the retail planning in the region. While the impact analysis shown in the previous Section indicates that a large proportion of sales at the proposed Orange Grove centre will be derived from a redirection of sales from the Liverpool CBD, this is not expected to result in a loss of retail sales that will lead to a reduction of retail facilities or services at Liverpool CBD.

The majority of the impact on retailers in the Liverpool CBD will be felt by Westfield Liverpool. We agree with Leyshon that Westfield Liverpool centre is a relatively strong performing centre that could absorb the impact of the proposed development at Orange Grove without resulting in the significant increases in vacancy rates. The *2015 Big Guns Survey (Shopping Centre News, Vol 33, No. 1, 2015)* ranked Westfield Liverpool at 36 out of 83 similar-sized centres surveyed throughout Australia with regard to Moving Annual Turnover.

The balance of Liverpool CBD is expected to be impacted to a lesser degree due to the different retail offering it provides compared to the proposed development at Orange Grove. For instance, ALDI is the only major brand retailer in the balance of the CBD, where retailing largely caters for the specific retail needs of the surrounding resident and working population. Although we have not undertaken a floorspace survey or audit, we did not notice a major vacancy issue during our field visit to Liverpool in August 2015; this situation supports comments by Leyshon that the health of the centre has improved since 2011 when HillPDA prepared the LRHCR.

Bonnyrigg Plaza

Bonnyrigg Plaza is forecast to experience a loss of sales amounting to -\$6.1m due to the proposed Orange Grove centre. It should be noted that our impact assessment does not take into consideration a previously approved expansion which has now lapsed.

Our assessment also does not take into consideration the potential for the centre to lease out the large vacancy made by the recent closure of the IGA supermarket and therefore represents a worst case scenario for Bonnyrigg Plaza. Should a new tenant be found for the large vacancy, this will have positive implications for the centre's performance.

Although the estimated impact of -5.4% is not large in percentage terms, it is noted that Bonnyrigg Plaza is not considered to be a strong performing centre and will be faced with strong competition resulting from the expansion at Stockland Wetherill Park and the proposed Orange Grove centre.

While in our view the proposed development at Orange Grove will not lead to the closure of any stores at Bonnyrigg Plaza, it is likely that the centre will need to evolve in the future in order to maintain its competitive relevance in the face of increasing competition. The need for centres to re-invent themselves in the face of increased competition is well-accepted in retail development.

4.4 Impacts on Supermarkets

Table 4.2 shows an analysis of supermarket floorspace and turnover of centres identified in Table 4.1.

In 2015, supermarkets in these centres are estimated to average sales of \$10,220/m², which is considered to be a relatively high average trading performance.

Between 2015 and 2019 (excluding Orange Grove), an additional 8,800m² of supermarket floorspace is approved (including Casula and Stockland Wetherill Park) and this is forecast to result in the average sales performance of identified supermarkets declining to \$10,000/m², which is still considered to be a relative strong average sales performance.

Taking into account the proposed supermarkets at Orange Grove, consisting of 5,400m² of floorspace, the average sales level of identified supermarkets is forecast to decline by approximately -5% to \$9,510/m². This is still considered to be a viable level of trading performance for a supermarket.

Table 4.2: Impacts on Supermarkets, 2015 (in constant 2014 dollars)

Category	2015	2019 (pre-development)	2019 (post-development)
Supermarket floorspace	65,010m ²	73,510m ²	78,910m ²
Estimated sales	\$664m	\$735m	\$750m
Average sales	\$10,220/m ²	\$10,000/m ²	\$9,510/m ²

Source: Essential Economics

Consequently, while the addition of 5,400m² of supermarket floorspace will have a competitive impact on supermarkets in nearby centres, it is not expected to lead to the loss of supermarket provision in any of the identified centres.

4.5 Comparison of Impact Assessments

Table 4.3 provides a comparison of the impacts as assessed by Leyshon, Deep End and Essential Economics for 2019.

ORANGE GROVE CENTRE
ECONOMIC IMPACT ASSESSMENT
PEER REVIEW AND ASSESSMENT

In general terms, the impacts as assessed by all three consultants are comparable and indicate that the proposed development at Orange Grove in 2019 will not result in the loss of retail facilities and services at any of the identified centres. Where the impacts differ is in the following ways:

- Essential Economics estimate a greater impact on the Liverpool CBD, although this is not expected to result in a loss of retailing facilities
- Leyshon and Deep End estimate a larger impact on Bonnyrigg Plaza and this is due to the assumed expansion which is unlikely to proceed by 2019.

Table 4.3: Comparison of Impacts, 2019 (in constant 2014 dollars)

Centre	Impact (\$)			Impact (%)		
	Leyshon	Deep End	Essential Economics	Leyshon	Deep End	Essential Economics
Liverpool CBD	-\$34.2m	-\$33.6m	-\$41.4m	-5.0%	-5.0%	-5.9%
Westfield Centre	-\$29.7m	-\$29.3m	-\$36.4m	-5.8%	-5.8%	-7.3%
Balance of Liverpool CBD	-\$4.5m	-\$4.4m	-\$5.0m	-2.7%	-2.6%	-2.5%
Cabramatta	-\$10.5m	-\$7.1m	-\$7.6m	-4.0%	-2.7%	-3.6%
Bonnyrigg	-\$12.4m	-\$13.6m	-\$6.1m	-7.3%	-8.0%	-5.4%
Stockland Wetherill Park	-\$11.2m	-\$13.5m	-\$13.2m	-2.9%	-3.5%	-3.4%
Fairfield TC	-\$7.2m	-\$8.7m	-\$6.4m	-2.1%	-2.5%	-1.7%
Casula Mall	-\$4.6m	-\$4.2m	-\$2.9m	-2.4%	-2.2%	-1.5%
Carnes Hill	-\$2.8m	-\$1.2m	-\$0.9m	-1.7%	-0.7%	-0.6%
Miller	-\$3.8m	-\$1.1m	-\$2.8m	-6.1%	-1.7%	-4.3%
Valley Plaza	-\$2.7m	-\$1.6m	-\$3.3m	-2.7%	-1.6%	-3.7%
Moorebank	-\$2.1m	-\$1.6m	-\$1.9m	-3.9%	-2.9%	-3.5%
Costco	-\$6.0m	-\$2.6m	-\$1.4m	-4.1%	-1.8%	-1.6%
Woolworths Casula	-\$0.8m	-\$1.1m	-\$1.0m	-1.6%	-2.2%	-2.5%
Crossroads bulky goods	-\$6.7m	-\$4.3m	-\$4.8m	-6.4%	-3.9%	-2.2%
Warwick Farm bulky goods	-\$2.2m	-\$2.2m	-\$1.6m	-5.2%	-5.1%	-3.0%
Chipping Norton Plaza	not assessed	not assessed	-\$2.0m	not assessed	not assessed	-5.3%
Fairfield West/Market Plaza	not assessed	not assessed	-\$2.8m	not assessed	not assessed	-5.2%
Fairfield Heights	not assessed	not assessed	-\$1.8m	not assessed	not assessed	-3.0%
Other centres	-\$24.0m	-\$34.3m	-\$25.4m			
Total Impact	-\$131.2m	-\$130.5m	-\$127.2m			

Source: Leyshon, Economic Impact Assessment – Proposed Orange Grove Centre, April 2015; Deep End, Orange Grove Centre – Peer Review of Economic Impact Assessment, 31 March 2015; Essential Economics

4.6 Net Community Benefit

The impact analysis presented in the previous Sections indicates that the loss of retail facilities is unlikely to occur as a result of the proposed retail development at Orange Grove, which is important when considering the potential net community benefits. Consequently, the loss of any significant levels of retail employment at identified centres is also unlikely to occur.

Furthermore, we agree that the following community benefits will also be derived from the proposed development:

- Increased access to retail facilities, including supermarkets and DDSs, and increased shopper convenience.
- Increased competition, particularly in the DDS retail sector.
- Increased local employment opportunities. Assuming an industry average of 30m² per retail job, the proposed 16,500m² of retail floorspace at Orange Grove would be support approximately 550 direct jobs in retailing. Assuming no retail jobs are lost elsewhere, this would represent a net employment outcome of 550 direct jobs in the Liverpool LGA. In addition, further indirect or flow-on employment would be created through the employment multiplier effect, possibly adding a further 550 indirect jobs in the wider economy.

4.7 Conclusion

While the proposed development at Orange Grove will impact retail sales at competing centres, this is not expected to lead to the reduction of retail facilities at these centres. Therefore, the impacts are not beyond those expected in a competitive retail environment.

5 CONCLUSION

The proposed retail development at 5 Orange Grove Road, Warwick Farm, consisting of 17,000m² of floorspace and the relocation of the existing bulky goods centre, is unlikely to lead to a reduction in the level of retail facilities or services at other competing centres in the region.

While competitive trading impacts will occur, these are not expected to impact the operation of the retail hierarchy that currently serves the communities in the Cities of Liverpool and Fairfield.

The Liverpool CBD, in particular the Westfield Liverpool centre, is expected to account for the largest impact (in dollar terms). In total, the proposed development at Orange Grove is forecast to result in a reduction in retail sales of -5.9% in 2019 at the Liverpool CBD, including a reduction of -7.3% of sales at Westfield Liverpool. Other centres of note that are forecast to experience a reduction in retail sales as a result of the proposed development are the following:

- Stockland Wetherill Park : -\$13.2m (or -3.4% of sales)
- Cabramatta: -\$7.6m (or -3.6% of sales)
- Fairfield Town Centre: -\$6.4m (or -1.7% of sales)
- Bonnyrigg Plaza: -\$6.1m (or -5.4% of sales).

The above findings are based on an independent assessment of the potential impacts that may arise from the proposed development, and are similar to the findings of both Leyshon and Deep End.

Our assessment of the economic impacts is based on slightly different assumptions relating to approved retail developments in the region, population, retail spending data and sales estimates of the proposed development. Nevertheless, accounting for these changes is unlikely to alter the overall findings of the analysis undertaken by Leyshon and Deep End.

