



ESSENTIAL ECONOMICS

Bunnings Shepparton

Economic Impact Assessment

Prepared for

Benalla Road Enterprises

by

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INTRODUCTION

Background

This report has been prepared for Benalla Road Enterprises and presents a market and economic impact assessment of the proposed construction of a Bunnings Warehouse hardware store at 90-94 Benalla Road, Shepparton.

The proposed new Bunnings store will replace the existing Bunnings Warehouse that has been operating approximately 700 metres to the east since 2000.

This Report

This report provides the following analysis:

- 1 **Details of the Proposal:** Description of the components of the proposed development, including the features of the new store (size, location etc.), and an assessment of the attributes of the site as a location for a hardware and trade supplies store.
- 2 **Trade Area Analysis:** Identification of a geographic area from which the proposed development would likely draw most of its turnover, and analysis of the trade area population in terms of growth trends, demographic features, housing development trends and other aspects which indicate market demand for hardware and building supplies products.
- 3 **Market Assessment:** Assessment of the market potential for the proposed development, including the identification of competing hardware and trade supplies outlets, analysis of existing market gaps, forecast of the likely turnover achieved by the proposed store, and an examination of the extent to which the market would support the proposed new store.
- 4 **Net Community Benefit Assessment:** Analysis of net community benefit as it relates to the economic outcomes associated with the proposed development. This is measured in terms of factors such as capital investment, employment (during construction and ongoing), and other economic outcomes.

1 DETAILS OF PROPOSAL

This Chapter provides a description of the proposed new Bunnings Shepparton, including an overview of the attributes of the subject site and the strategic land use policy context.

1.1 The Proposal

A new Bunnings Warehouse store is proposed on the subject site located at 90-94 Benalla Road, Shepparton. The proposed new store would be located on the southern side of Benalla Road, immediately west of the Shepparton Marketplace shopping centre.

The existing Bunnings Shepparton is currently located approximately 700 metres to the east of the subject site and on the northern side of Benalla Road. This existing store will be closed and Bunnings Shepparton will be re-located to the new Warehouse to be developed on the subject site.

The proposed new Bunnings Shepparton has a total size of approximately 19,267m² and is on a site with a total land area of approximately 4.3 hectares. As a large format warehouse store, the full range of household and trade-related goods and services that are offered by Bunnings will be available on-site at the re-located store.

The existing store is approximately 9,568m² in size – or half the size of the proposed new Bunnings Shepparton. Trading since 2000, the existing Bunnings Shepparton has a store layout and presentation that is now out-dated relative to the modern expectations for a Bunnings Warehouse.

Despite its small size and out-dated store layout, the existing Bunnings Shepparton trades strongly. On this basis, we understand from discussions with Bunnings that efforts have been made in recent years to acquire adjacent properties that would facilitate the expansion of the existing store. These efforts to facilitate expansion of the existing store have been unsuccessful.

Re-location and expansion of Bunnings Shepparton will allow the development of a modern format hardware warehouse that has a greater product range and enhanced customer amenity relative to the existing store.

In particular, the proposed new store will have a significantly enhanced capacity to provide a wide range of trade supplies and services aimed at meeting the needs of local businesses. This includes a new bulk trade area and expanded timber and trades yard.

The proposed components of the new Bunnings Shepparton, and a comparison with the floorspace schedule for the existing store is shown in in Table 1.1.

Table 1.1: Proposed Bunnings Shepparton Floorspace Schedule

Area Description	Existing Bunnings	Proposed Bunnings	Difference
Warehouse	5,150m ²	10,043m ²	+4,893m ²
Timber/Trade yard	1,422m ²	2,663m ²	+1,241m ²
Bulk trade area	-	1,944m ²	+1,944m ²
Nursery	1,279m ²	2,937m ²	+1,658m ²
Building materials and landscaping	1,717m ²	1,680m ²	-37m ²
Total warehouse*	9,568m²	19,267m²	+9,699m²
Car parking bays	196	422	+226

Source: Bunnings Group Limited

(*) total area of the stores, including non-retail components

1.2 Location

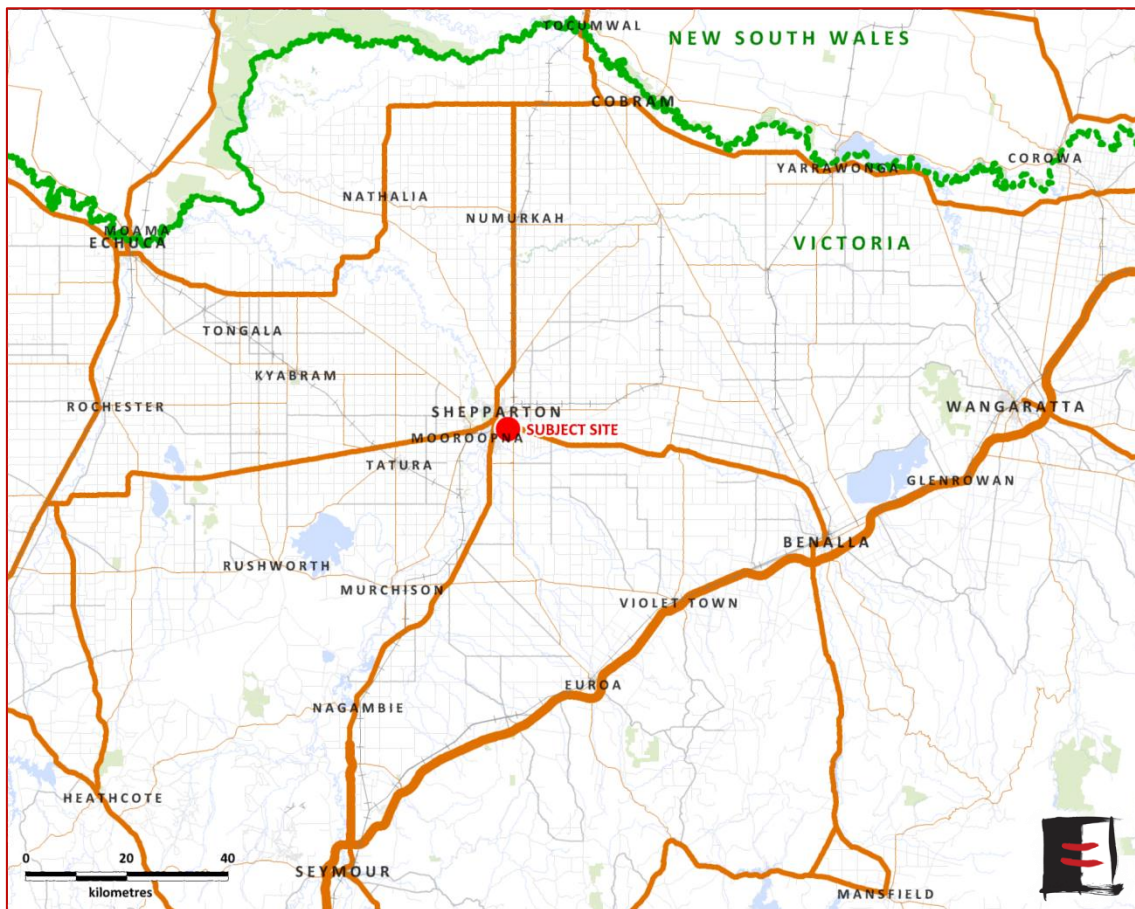
Regional Context

The intent of Bunnings to re-locate and upgrade the Shepparton Warehouse reflects the strategic location of Shepparton in central Victoria, and the important service role that Shepparton plays in the greater Goulburn Valley region and beyond.

Shepparton is located approximately 190km north of the Melbourne CBD and has excellent transport links to towns in the surrounding region including Tatura (20km direct distance), Kyabram (30km), Numurkah (25km), Nagambie (35km), Benalla (40km) and Cobram (50km).

As the traditional service centre for the region, there are extensive road transport links with the surrounding rural areas, as shown in Figure 1.1.

Figure 1.1 Regional Context



Source: MapInfo and Essential Economics

Local Context

Both the subject site and the existing Bunnings Shepparton are located in the existing retail and trade precinct located along Benalla Road on the eastern side of the Shepparton urban area.

This precinct includes the Shepparton Marketplace shopping centre incorporating a Big W discount department store, Woolworths (Safeway) supermarket and approximately 40 specialty shops. Shepparton Marketplace is an important retail destination across Shepparton and the wider region, and is located immediately adjacent to the proposed new Bunnings Shepparton site.

The balance of the Benalla Road precinct includes a wide range of businesses including homemaker retail, trade supplies, showrooms, light industry and convenience retailing.

As a result, the proposed new Bunnings Shepparton will complement an existing well-known and successful destination for a range of retail, showroom, warehouse and trade supplies uses.

Direct frontage is provided to a service road running parallel to Benalla Road that provides excellent exposure and accessibility for passing traffic. Importantly, the location of the subject site near the intersection of Benalla Road and Fordyce Street means that business and trade customers will be able to access Bunnings from a dedicated rear entrance.

The proposed location and adjacent land uses for the proposed new Bunnings Shepparton are shown in Figure 1.2.

Figure 1.2 Subject Site and Adjacent Land Uses



Source: Bunnings Group Limited, NearMap and Essential Economics

Although the existing store has traded successfully for approximately 13 years, a number of constraints are now apparent that make it unsuitable for the long-term future operation of a Bunnings Warehouse.

These constraints are described in more detail in Chapter 4 of this report, and include:

- Lack of space for expansion
- Inability to adequately store and display the full range of goods provided by Bunnings, particularly trade sales
- Crowded carpark at peak times

- Out-dated and inefficient store design.

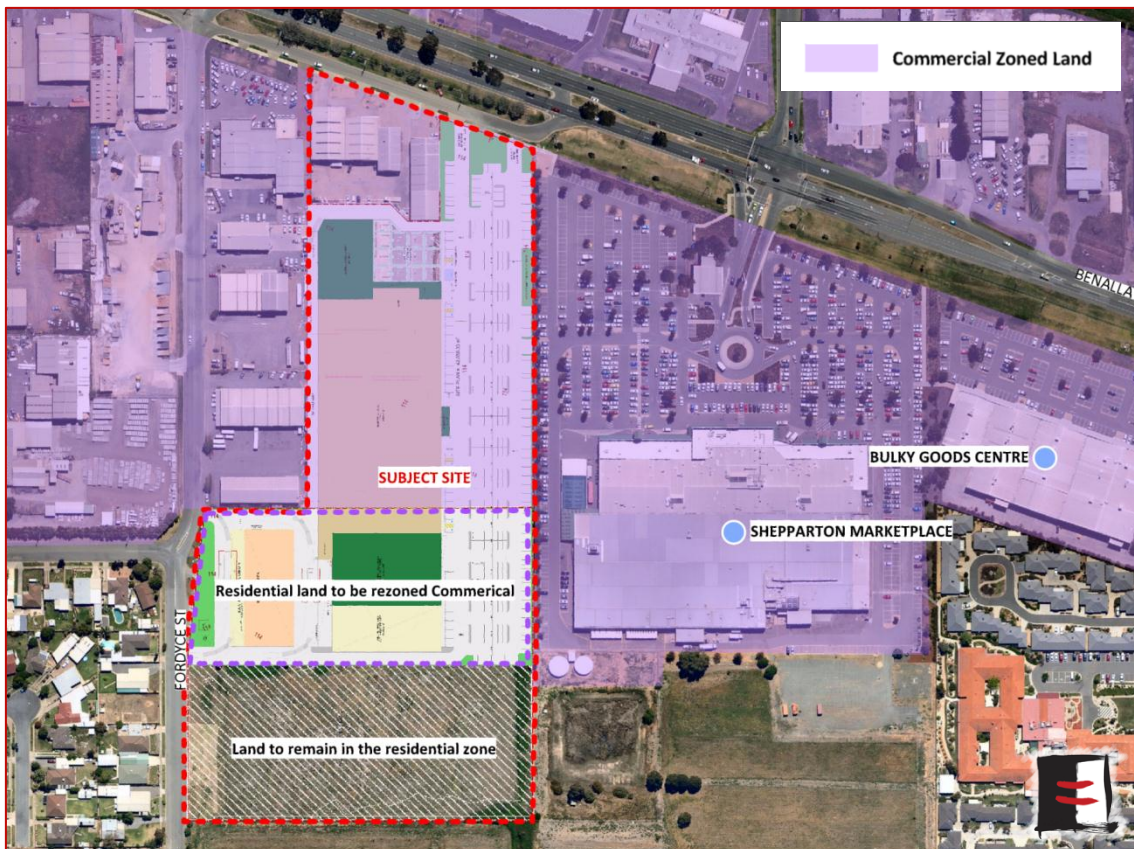
As previously noted, these issues can only be effectively resolved through Bunnings re-locating to a site that overcomes these constraints and allows the development of a modern new hardware warehouse, as is now proposed.

Most of the subject site is located on land in the Commercial 2 Zone (in which Bunnings is an as-of-right use). However, the rear of the subject site is currently in the residential zone, and a rezoning of this land is required to enable the development of the proposed new Bunnings Warehouse store.

Detailed planning issues are considered in a separate report prepared by Peninsula Planning Consultants.

Figure 1.3 shows the subject site and the land proposed to be rezoned.

Figure 1.3 Subject Site and Proposed Rezoning



Source: Bunnings Group Limited, NearMap; Department of Planning and Community Development; and Essential Economics

1.3 Site Attributes

The subject site has a number of features which make it an attractive location for the construction of a new Bunnings hardware and trade supplies warehouse. These advantages can be summarised as follows:

- **Land Area:** the total size of the proposed site is approximately 4.2 hectares and is able to accommodate the proposed building and car parking, access ways and landscaping that are required for a new and modern Bunnings warehouse store.
- **Strategic location:** the site is located in an existing retail, trade and showroom precinct, with the Shepparton Marketplace shopping centre located immediately to the east.
- **Retention of Existing Customers:** the proposed site is just 700 metres west of the existing store and the proposed new Bunnings is in a location that is familiar and convenient for existing customers of the Bunnings Shepparton.
- **Serving trade customers:** the site is well-located with respect to potential business customers, having regard for the exposure to Benalla Road and the proximity of existing businesses.
- **Good Accessibility:** the subject site has excellent accessibility due to its location on Benalla Road and in close proximity to the Shepparton CBD.
- **Development Cost:** the subject site is flat and easily developable with all services available.

The locational advantages of the site are reflected in the commitment of Bunnings to develop a store at the subject site.

2 TRADE AREA ANALYSIS

This Chapter defines a trade area for Bunnings Shepparton and identifies relevant population and retail spending trends.

2.1 Trade Area Definition

A trade area describes the geographic region that would be served by the proposed development at the subject site, and is defined with reference to a number of factors which include:

- The expected role and function of the proposed use, and the nature of the customer base that is expected to be served
- The location of competing outlets (in this case hardware stores and trade supplies outlets)
- The road network and the accessibility of the site from the surrounding region
- Other features (rivers, railway line, etc.) that might create a barrier to movement
- Current trading patterns generated by the existing Bunnings Shepparton.

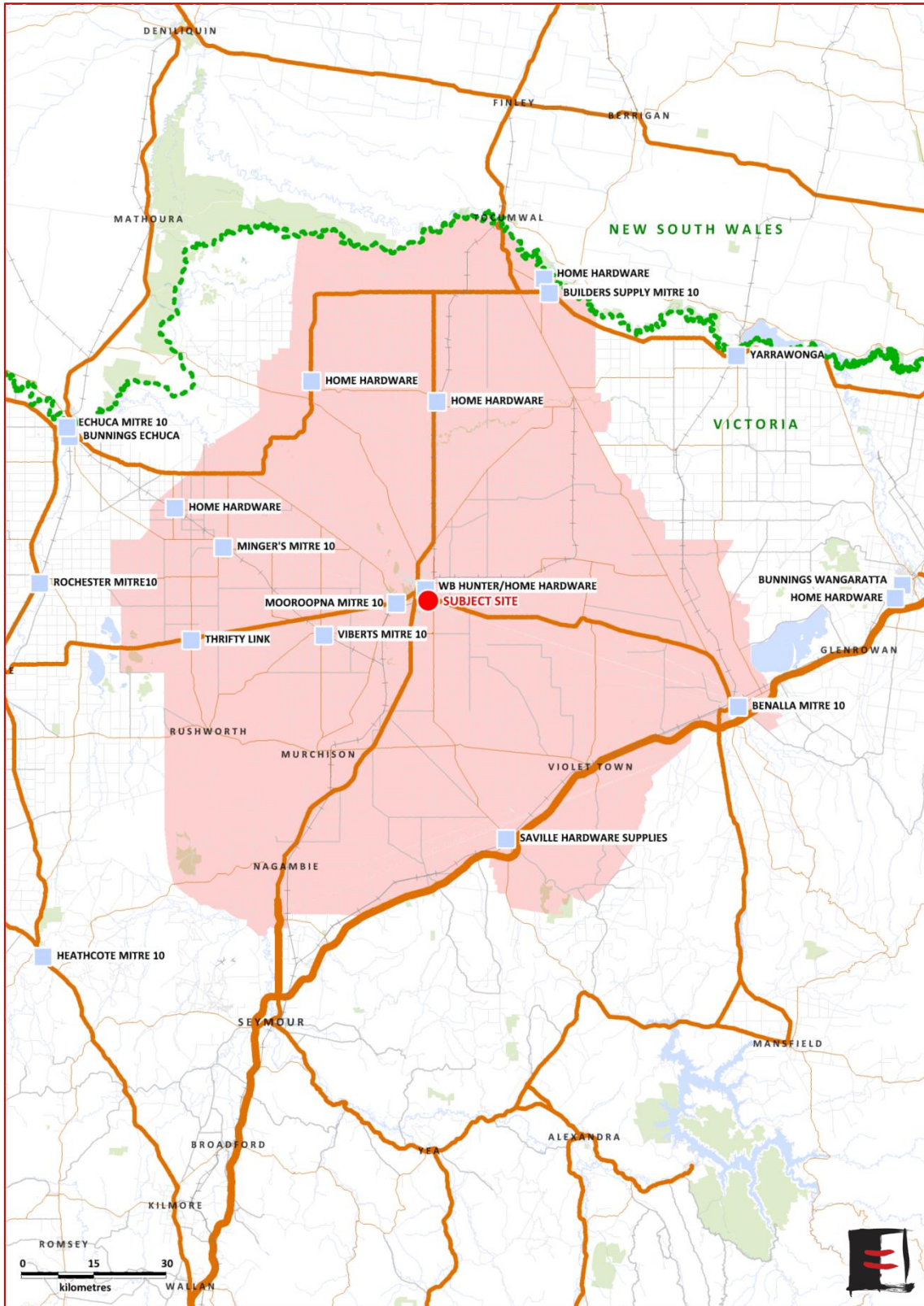
On the basis of these factors, a Main Trade Area (MTA) has been defined for Bunnings Shepparton that includes the urban area of Shepparton and a large surrounding rural and regional hinterland.

The MTA for Bunnings Shepparton extends:

- To the north: as far as the Murray River, including the towns of Cobram and Tocumwal
- To the east: including Benalla and Violet Town
- To the south: including the towns of Euroa and Nagambie
- To the west: as far as Rushworth, Nathalia and Tongala and including the towns of Kyabram and Tatura.

The extent of the MTA served by Bunnings Shepparton and competing stores are shown in Figure 2.1.

Figure 2.1 Main Trade Area and Competing Stores



Source: MapInfo and Essential Economics

2.2 Population Trends and Forecasts

The MTA has an estimated resident population of approximately 116,680 persons in 2013 and has experienced moderate population growth of +0.9% per annum (or +1,025 persons per annum) since 2011. This level of growth is consistent with the +0.9% per annum growth in population experienced throughout regional Victoria over the same period.

For a regional Bunnings Warehouse, 116,680 persons represents a large MTA population and reflects the wide geographic area to be served by a Bunnings Shepparton. For instance, Bunnings Shepparton will serve approximately 46,000 residents living in the urban Shepparton area (including Mooroopna) plus a further 70,700 residents living in other towns and rural areas in the MTA.

Forecasts of the MTA population to 2021 are shown in Table 2.1 and have been prepared based on a variety of information sources, including:

- Victoria In Future 2012, prepared by the Department of Planning and Community Development (DPCD)
- Latest available ABS population data and trends
- New dwelling approvals.

The population of the MTA is forecast to increase to approximately 119,760 persons in 2016, expected to be the first full year of trading of the proposed new Bunnings Shepparton.

Ongoing population growth in the order of +1,000 persons or +0.8% per annum is forecast until at least 2021, when the MTA population is forecast to be approximately 124,860 persons.

Table 2.1 Main Trade Area Population, 2011 to 2021

	2011 ¹	2013 ²	2016 ²	2021 ²
<u>Population (No.)</u>				
Main Trade Area	114,630	116,680	119,760	124,860
<u>Average Annual Growth (%)</u>				
Main Trade Area	-	+0.9%	+0.9%	+0.8%
<u>Average Annual Growth (No.)</u>				
Main Trade Area	-	+1,025	+1,027	+1,020

Source: DPCD, Victoria in Future, 2012; ABS, Regional Population Growth, Cat No. 3218.0; Essential Economics

Note: Totals subject to rounding, ⁽¹⁾ ABS ERP Population, ⁽²⁾ Consultant Population Estimate

Population growth in the MTA is important for the proposed development as new housing and other urban development is an important driver of spending on hardware and other merchandise sold at Bunnings. This includes spending generated by tradespersons and other businesses involved in the construction and development industries.

2.3 Socio-Economic Characteristics

A summary of the socio-economic features of the MTA population derived from the 2011 ABS Census of Population and Housing is shown in Table 2.2, including a comparison with the regional Victoria average. The main points of relevance for the MTA are:

- The MTA is characterised by personal income levels -3.4% lower than the regional Victoria average.
- The average age of MTA residents (40 years) is similar to the regional Victoria average (41 years)
- A higher share of MTA residents are from non-English speaking backgrounds compared to the regional Victorian average
- A higher share of dwellings are rented rather than owner-occupied compared to the regional Victorian average
- Median housing costs are below the medians for regional Victorian average.

Table 2.2 Main Trade Area Socio-Economic Characteristics, 2011

Category	Main Trade Area	Regional Victoria
<u>Income</u>		
Median individual income (annual)	\$24,870	\$25,740
Variation from Rest of Vic. median	-3.4%	-
% of persons (15 years or older) earning \$1,000pw or more	17.8%	20.6%
<u>Age Structure</u>		
0-4 years	6.6%	6.3%
5-19 years	20.5%	19.7%
20-34 years	15.7%	16.0%
35-64 years	39.4%	40.4%
65-84 years	15.3%	15.2%
85 years and over	2.5%	2.3%
Median Age (years)	40	41
<u>Country of Birth</u>		
Australia	88.3%	88.8%
Other Major English Speaking Countries	3.9%	5.4%
Other Overseas Born	7.9%	5.9%
<i>% speak English only at home</i>	<i>90.7%</i>	<i>94.4%</i>
<u>Average household size</u>		
Average household size	2.5	2.4
<u>Tenure Type (Occupied Private Dwellings)</u>		
Owned outright	37.7%	39.6%
Owned with a mortgage	34.2%	34.3%
Rented	27.0%	25.2%
<u>Housing Costs</u>		
Median monthly mortgage repayment	\$1,280	\$1,320
Variation from Rest of Vic. median	-3.0%	-
Median weekly rents	\$180	\$190
Variation from Rest of Vic. median	-5.3%	-

Source: 2011 ABS Census of Population and Housing

2.4 Main Trade Area Retail Spending

Average per capita spending by trade area residents has been estimated by reference to the *MarketInfo* micro-simulation model of household expenditure, which combines data from the ABS Household Expenditure Survey (HES), the ABS Census and Australian National Accounts in order to provide small area estimates of expenditure for detailed commodity groups.

Estimates of spending have been provided for:

- **Bunnings-type Merchandise:** includes the individual commodity items normally stocked at a typical Bunnings store.
- **Non-Food:** spending on apparel, homewares, bulky merchandise and general merchandise.
- **Total Retail:** includes all food and non-food retail spending categories.

Spending by MTA residents on Bunnings-type Merchandise is estimated at \$1,160 per capita in 2013 (in 2013 dollars), as shown in Table 2.3. This level of spending is approximately -6% below the average for regional Victoria and broadly reflects the income profile of MTA residents as shown in Table 2.3.

Table 2.3 Per Capita Expenditure on Bunnings-type Merchandise Retailing, 2013 (\$2013)

Trade Area	Bunnings-type Merchandise	Non-Food	Total Retail
<u>Per Capita Spending</u>			
Main Trade Area	\$1,160	\$5,410	\$12,240
<i>Regional Vic</i>	<i>\$1,230</i>	<i>\$5,710</i>	<i>\$12,700</i>
<u>Variation from Regional Average (%)</u>			
Main Trade Area	-5.9%	-5.2%	-3.6%

Source: MarketInfo; Essential Economics

Note: 'Non-food' includes 'Bunnings-type merchandise'

The spending forecasts shown in Table 2.4 are based on the population forecasts shown in Table 2.1 and the per capita retail spending estimates in Table 2.3. An allowance has also been made for real growth in spending per capita comprising relatively modest growth in the short-term with an expectation that growth rates will return to historical levels over the longer term as economic conditions improve over time.

Total spending by MTA residents on Bunnings-type Merchandise is estimated at approximately \$136 million in 2013, while total retail spending was estimated at \$1,428 million.

Spending by MTA residents on Bunnings-type Merchandise is expected to reach \$146 million in 2016 (in constant 2013 dollars, i.e. excluding the effects of inflation), the proposed first full year of trading at the new Bunnings Shepparton store. Over the period 2013 to 2021, total Bunnings-type Merchandise spending by MTA residents is expected to increase at an average rate of +2.6% per annum, reaching \$166 million in 2021 (in constant 2013 dollars).

Total retail spending is forecast to grow at a slightly slower rate of +2.1% per year over the period to 2021, reaching \$1,693 million in 2021 (in constant 2013 dollars). These forecasts illustrate that the market for total retail and Bunnings-type Merchandise spending is forecast to increase over coming years, and this will support additional retail (including hardware) facilities.

Table 2.4 Total Spending by MTA Residents, 2013 to 2021 (\$2013m)

Year	Bunnings-type Merchandise	Non Food	Total Retail
2013	\$135.6m	\$631.7m	\$1,428.4m
2014	\$138.9m	\$647.8m	\$1,456.8m
2015	\$142.5m	\$666.7m	\$1,488.2m
2016	\$146.2m	\$686.2m	\$1,520.5m
2017	\$150.1m	\$706.1m	\$1,553.5m
2018	\$154.0m	\$726.6m	\$1,587.2m
2019	\$158.1m	\$747.7m	\$1,621.6m
2020	\$162.2m	\$769.3m	\$1,656.7m
2021	\$166.4m	\$791.5m	\$1,692.7m
Annual Growth 2013-21	+2.6%	+2.9%	+2.1%

Source: MarketInfo; Essential Economics

Note: Figures are in 2013 dollars and include GST

3 MARKET AND RETAIL IMPACT ASSESSMENT

This Chapter of the report provides a market assessment of the proposed relocation and expansion of Bunnings Shepparton, including an assessment of potential trading impacts.

3.1 Competition

Residents and businesses in the MTA are served by a range of existing hardware and homemaker retail outlets located within the MTA and beyond, and these centres and individual stores attract a share of resident expenditure on Bunnings-type Merchandise.

In addition to dedicated hardware retailers, residents will also direct a small share of Bunnings-type Merchandise spending to more traditional retailers, including discount department stores (Target, Kmart and Big W) and a variety of smaller specialty stores. These traders typically locate in retail centres such as the Shepparton CBD and the Shepparton Marketplace located to the immediate east of the proposed new Bunnings store.

The Shepparton CBD has no significant dedicated hardware retailer; with most of Shepparton's trade and large format retailers now located in the Benalla Road precinct, which include the existing and proposed Bunnings stores.

The Benalla Road precinct contains a wide range of trade, showroom and retail outlets, including a number of timber, trade supplies, landscaping, and garden nursery stores that would have some product overlap with the existing and proposed new Bunnings Shepparton.

The key competing locations for hardware, homemaker and trade supplies are summarised below. These traders are represented in Figure 2.1 on page 9.

Main Trade Area

- **Existing Bunnings Shepparton** – the existing Bunnings Shepparton is a long-standing and successful store that no longer provides the range of products and services consistent with modern customer expectations. This store will close when the proposed new Bunnings store begins trading.
- **WB Hunter/Home Hardware** – is located less than 500 metres from the proposed Bunnings site. Although the store has a strong range of hardware products, the overall emphasis of the outlet is on trade and farm supplies. The total trading area for the hardware and trade sales business is estimated at approximately 3,000m² excluding the logistics warehouse located at the rear of the site.
- **Mooroopna Mitre 10** – provides a comprehensive range of core hardware products with an adjacent timber yard and trade supplies area. Total trading area is estimated at approximately 2,000m².
- **Viberts Mitre 10** – located in Tatura approximately 15km to the south-west of Shepparton; this Mitre 10 provides a smaller range of hardware and farm supplies.

- **Other Home Hardware, Mitre 10 and independent hardware retailers** are located throughout the larger towns in the MTA including Benalla, Euroa, Rochester, Echuca, Cobram, Yarrawonga and Wangaratta.

Based on discussions with City of Greater Shepparton Council officers, no other major hardware or trade supplies stores are proposed in the Shepparton area.

Beyond the Main Trade Area

Bunnings stores are located in Echuca, Wangaratta and Bendigo that would attract some regular sales from MTA residents.

A new Bunnings Warehouse is proposed for Epsom in northern Bendigo, while the existing Bunnings at Kangaroo Flat is expected to be expanded in the near future. Both developments have the potential to attract some customers to Bendigo that would otherwise shop at the existing Bunnings Shepparton.

Likewise, the recently opened Bunnings Echuca has a degree of customer amenity that is superior to the existing Bunnings Shepparton, and this has resulted in the diversion of some sales to Echuca that might otherwise be directed to Shepparton – particularly for businesses and residents living in the northern parts of the MTA.

3.2 Current Trading Performance

At present, Bunnings Shepparton is estimated to achieve total sales in the order of \$29 million. This represents a relatively strong trading level of \$3,060/m² that reflects the existing trading strength of the store, and the opportunity for a larger store to meet market demand.

Although the existing store trades well, its ability to meet the requirements of MTA residents and trade customers is limited by a number of physical constraints associated with the limited site size. These constraints mean that many of the store operations are inefficient and the capacity of the store to meet customer demand and expectations is limited.

Some of the specific problems with the current store that have been identified include:

- The trade yard is uncovered and too small to meet demand at peak periods
- Limited product range - the current store carries a smaller range of hardware and other items than more modern stores layouts
- Small and inferior display areas, particularly for the kitchen and bathroom departments where customers expect to see pre-assembled product examples
- Small and inefficient delivery and storage areas
- Narrow aisles that limit sight lines and customer circulation
- Lack of customer parking on weekends and at other peak times.

In some instances, these constraints can be considered unique to Bunnings Shepparton. For example, given that the store serves a MTA that covers a wide rural hinterland, over 5% of

sales are either stock that is specially ordered in advance, or where the customer has asked for stock to be put aside for subsequent pick-up. The need to store this stock until the customer is able to collect creates an additional demand for already limited storage space.

The recent sales performance of Bunnings Shepparton has been steady. In addition to the physical constraints associated with the store, sales growth has been negatively impacted by uncertain conditions in the wider economy and the sales impact from the new Bunnings store at Echuca.

As a response, Bunnings Shepparton has successfully increased the share of sales from trade and business customers in the past few years. However, at present the trade sales component of Bunnings Shepparton is effectively operating at capacity, with the ability to serve business customers impacted by physical constraints such as the lack of adequate storage space.

Furthermore, in the future increased competition is expected from new and expanded Bunnings stores in Bendigo.

Therefore, the opportunity for Bunnings Shepparton to increase on existing sales levels at the current site is limited by a variety of factors including:

- Physical constraints at the existing site
- Increased competition from new and expanded Bunnings, and other hardware stores in Shepparton and other competing regional centres such as Bendigo and Echuca
- Low levels of stock presentation and customer amenity relative to competing stores and customer expectations.

3.3 Forecast Sales

An important consideration for the proposed new Bunnings Shepparton is the potential sales uplift associated with a new store that meets modern consumer expectations and operates more efficiently than the existing Bunnings Shepparton Warehouse.

The proposed Bunnings Shepparton Warehouse will be approximately 30% larger than the current largest store in regional Victoria at Geelong North, and includes a dedicated trade supplies building operating at the rear of the site. A store of this scale is a reflection of Shepparton's role as the traditional service centre for the Goulburn Valley and north-central Victoria.

The proposed new Bunnings store is forecast to achieve total turnover of approximately \$38 million in its first year of trading, representing an average trading level of approximately \$1,960/m², as shown in Table 3.1. For the purposes of this analysis, the first full year of trading is assumed to be 2016 (year ending June).

Table 3.1: Forecast Turnover at Proposed Bunnings Shepparton, 2016 (\$2013)

Component	Floorspace	Trading Level	Total Turnover
<u>Proposed Bunnings Warehouse</u>			
Main warehouse	10,043m ²	\$2,750/m ²	\$27.6m
Timber and Trade sales	4,607m ²	\$1,100/m ²	\$5.1m
Outdoor nursery and Landscaping	4,617m ²	\$1,100/m ²	\$5.1m
Total Bunnings	19,267m²	\$1,960/m²	\$37.8m

Source: Turnover projections prepared by Essential Economics

The projected turnover is based on expected trading levels in each component of the store, and reflect factors such as the size of the surrounding market (in terms of population and spending), the locations of competing stores, the site's access and exposure, and other relevant factors.

Market Share

During the first year of trading, the new Bunnings Shepparton store is forecast to capture approximately 17% of the retail market for Bunnings-type Merchandise in the MTA.

This analysis, which is shown in Table 3.2, is based on the following considerations:

- Of the total turnover of \$37.8 million, an estimated 70% (or \$26.4 million) would represent sales to retail or household customers. The remaining \$11.3 million of sales will be derived from trade or business customers (including contractors and others in the construction industry) and non-retail merchandise (timber, trees and shrubs, plasterboard, building supplies etc.).
- Of the estimated \$26.4 million of retail sales generated at the store, approximately \$24.6 million (or 93%) would be derived from spending by MTA residents. The remaining \$1.9 million of turnover would be derived from people living beyond the MTA.
- Total expenditure by trade area residents on Bunnings-type merchandise in 2016 is forecast to be \$146.2 million, as shown in Table 3.2 (and Table 2.4).
- Turnover at Bunnings attributable to retail customers in the MTA (\$24.6 million) represents a 16.8% market share of total available spending by trade area residents on Bunnings-type merchandise.

Table 3.2: Market Share Analysis for New Bunnings Shepparton, 2016 (\$2013)

	Turnover	Turnover Distribution	Bunnings-type Merchandise Spending (2016)	Retail Market Share
Main Trade Area	\$24.6m	65%	\$146.2m	16.8%
Beyond Main Trade Area	\$1.9m	5%		
Total Retail Sales	\$26.4m	70%		
Non-Retail Sales	\$11.3m	30%		
Total Store	\$37.8m	100%		

Source: Essential Economics

Note: Figures are rounded

It is estimated that the existing Bunnings Shepparton store has a market share of approximately 15% of Bunnings-type merchandise. As result, the proposed new Bunnings store is expected to only marginally increase the market share of Bunnings Shepparton from 15% to approximately 17%.

This increase in market share will generate a sales uplift in the order of \$7 million relative to the sales that would be achieved by the existing Bunnings Shepparton store in 2015. That is, the proposed new store will increase sales for Bunnings in Shepparton by approximately 20% to 25% relative to a 'do nothing' scenario.

Table 3.3: Forecast Sales of Current and Proposed Bunnings Shepparton Stores (\$2013)

	2013	2014	2015	2016	2017
Existing Store	\$29.3m	\$30.0m	\$30.8m	-	-
Proposed Store	-	-	-	\$37.8m	\$38.8m

Source: Essential Economics

The analysis highlights the opportunity for an improved Bunnings offer in Shepparton to attract additional sales and visitation. Importantly, the proposed new store at Shepparton means that residents and businesses in Shepparton and the broader region will have access to a full-sized Bunnings warehouse with a range of goods, services and amenity that is superior to any other location in regional Victoria.

3.4 Trading Impact Assessment

Any competitive trading impacts arising from the development of a new Bunnings Shepparton store will be due to the potential for the retail spending of consumers to be diverted from alternative shopping destinations.

In this instance, competitive trading impacts for the new Bunnings Shepparton store will only be generated from the increase in sales relative to those that would have otherwise been achieved by the existing older store if it continued to trade. This is because approximately 80% of sales at the new store will simply be the re-direction of trade from the old Bunnings Shepparton store.

An examination of the regional impact of the proposed new Bunnings Shepparton store is shown in Table 3.4 on the following page.

MTA residents generate approximately \$1,428 million of retail spending in 2013, of which \$20.4 million is directed to the existing Bunnings Shepparton store and the balance (\$1,408 million) to a range of other existing retailers and retail centres.

Over the period 2013 to 2016, spending by MTA residents is forecast to increase to \$1,520 million (refer Table 2.6). However, after the new Bunnings Shepparton opens the store is forecast to attract \$24.6 million of MTA retail spending (refer Table 3.4). As a result, the spending by MTA residents available to all other retailers will be \$1,496 million in 2016 (i.e., \$1,520m less \$24.6m).

This means that with the re-location and expansion of the Bunnings Shepparton store, the available retail spending for other retailers will increase by +\$87.9 million by 2016, when compared to 2013 (expressed in constant 2013 dollars).

In effect, the proposed new Bunnings Shepparton store will generate a small increase in sales that is less than the forecast overall growth in spending by residents of the MTA. Table 3.4 summarises this analysis.

Table 3.4: General Impacts of New Bunnings Shepparton, 2013 to 2021 (\$2013)

	2013 Existing Bunnings Store	2016 New Bunnings Store	2021 New Bunnings Store
Bunnings Shepparton Retail Turnover from MTA ¹	\$20.4m	\$24.6m	\$28.0m
MTA Retail Spending	\$1,428.4m	\$1,520.5m	\$1,692.7m
MTA Turnover to Other Retailers ²	\$1,408.0m	\$1,495.9m	\$1,664.7m
Change in Turnover to Other Retailers Relative to 2013		+\$87.9m	+\$256.7m

Note: In 2013 dollars and including GST

1. Assumes constant market share

2. Excluding Bunnings Shepparton

Source: Essential Economics

4 NET COMMUNITY BENEFIT ASSESSMENT

This Chapter considers economic matters relevant for consideration of net community benefit of the proposal.

4.1 Project Investment

The construction of the proposed new Bunnings Shepparton involves a total capital investment of approximately \$20 million. This figure relates to site works, landscaping, building construction and fit-out, and excludes the land purchase component.

4.2 Construction Employment

Employment will be generated during the construction phase, associated with site works, building construction, car park construction and store fit-out.

An estimate of employment generation can be made with reference to National Accounts and Input-Output data published by the ABS, which shows that one full-time equivalent (FTE) construction job (i.e. one job-year) is created for approximately \$450,000 construction investment.

On this basis, approximately 44 FTE jobs will be generated during construction of the proposed new Bunnings Shepparton.

In practical terms, a greater number of people will work on the site during the construction period, although noting that many of these jobs will be for only part of the development program (e.g. landscapers may be on-site for just one month out of 12-month construction program).

In addition to the direct construction jobs created on-site, additional employment will be created through the balance of the economy associated suppliers and other businesses indirectly involved in the development of the new Bunnings Shepparton store. With an employment multiplier of 2.6, an additional 70 jobs will be created in the wider economy during construction of the new Bunnings Shepparton, although only a share of this indirect employment would be retained locally.

4.3 Ongoing Employment

According to information from Bunnings Group Ltd, the new store will employ a total of 190 people, including a range of full-time, part-time and casual positions.

This represents a net increase for Bunnings in Shepparton of approximately +65 new jobs relative to current employment at the store of 125 jobs.

At present, over 95% of employees at Bunnings Shepparton live in the Shepparton/Mooroopna urban area, or in the immediate surrounds. On this basis, the expanded Bunnings is expected to generate employment that will overwhelmingly be filled by local job seekers.

The retail sector has an employment multiplier of 1.9, which means that the 65 additional jobs generated by the new Bunnings Shepparton store will create an additional 60 or so jobs in the wider economy (including interstate).

4.4 Strategic Land Use Considerations

Locational Advantages of Subject Site

The proposed new Bunnings Shepparton represents an opportunity to enhance the range and quality of hardware merchandise offered in Shepparton, in a location that leverages off the existing appeal of being located adjacent to the Shepparton Marketplace shopping centre.

In effect, the proposed re-location of Bunnings Shepparton will result in two major retail destinations locating immediately adjacent to each other, creating benefits for both Bunnings and Shepparton Marketplace. Both sales and visitation is expected to be enhanced at each location.

Furthermore, the proposed new Bunnings Shepparton has rear access via Fordyce Street to a dedicated trade supplies area. This will assist in separating the trade and retail uses on the site and significantly enhance the facilities available to trade customers.

The Need for a New Bunnings Shepparton

The existing Bunnings Shepparton store is approximately 13 years old and is still effectively trading in its original condition.

Over the intervening period, the Bunnings Warehouse model has undergone significant evolution and improvement. These changes have created operational benefits for Bunnings, as well as significant advantages for customers of more modern format stores.

Due to its relative age, the current Bunnings Shepparton does not provide households and businesses with the same level of amenity, and range of goods and services that are available at other Bunnings stores in regional Victoria.

Some of the key advantages and improvements associated with the proposed new Bunnings Shepparton store include:

- Wider aisles that improve customer circulation
- Modern shelving that allows staff and customers to access goods more easily
- Ability to provide larger product displays, particular in the kitchen and bathroom departments
- Significantly larger and enhanced nursery and gardening area

- Enhanced trade and timber supplies area, with the development of a dedicated Bulk Trade Supplies building with its own separate street access
- Addition of a dedicated landscaping and building supplies yard
- Doubling of customer car park spaces
- Improved loading bay configuration
- Significantly improved and enlarged stock storage area, to accommodate the large proportion of pre-orders at Bunnings Shepparton
- Adjacent to Shepparton Marketplace shopping centre.

The proposed store will provide Shepparton with the largest Bunnings store in regional Victoria, and ensure that both households and businesses across the wider region have access to the full range of products and services that Bunnings provide.

Need for Additional Commercial Land

The rear of the subject site incorporates 1.8 hectares of undeveloped land in the Residential 1 Zone that will require a rezoning to Commercial 2 Zone in order for the proposed Bunnings Shepparton to proceed. This vacant land is located on the eastern side of Fordyce Street, and is adjacent to the rear loading areas of the Shepparton Marketplace.

In general terms, we consider this land to be a natural extension of the existing commercial zoned land fronting Benalla Road. While there is some underutilised and vacant commercial zoned land along Benalla Road, it is considered necessary to rezone additional commercial land into order for the proposed development to proceed.

The proposed land to be rezoned is located at the rear of the existing commercial land fronting onto Benalla Road, which is currently too small for the proposed Bunnings warehouse. The proposed rezoning would bring the proposed Bunnings site into alignment with the rear of the Shepparton Marketplace land.

The overall subject site is superior to both the existing Bunnings Shepparton location and other potential sites on vacant commercial land fronting Benalla Road. The rezoning would facilitate the co-location of the Bunnings Shepparton warehouse and Shepparton Marketplace, both of which draw from wide regional catchments. The consolidation of major retail uses in a precinct on the southern side of Benalla Road is also facilitated by the proposed rezoning.

Impact of Rezoning Residential Land

Approximately 890 hectares of vacant broadhectare Residential 1 Zone land is located in Shepparton, according to the Urban Development Program 2011. This estimate was prepared for the City of Greater Shepparton by the Department of Planning and Community Development in September 2012. The Urban Development Program identifies over 15 years supply of land for residential development in Shepparton.

The 1.8 hectares of land in the residential zone at the rear of the proposed Bunnings Shepparton represents approximately 0.2% of the entire supply of zoned residential land in Shepparton. On this basis the proposed rezoning of the subject site to accommodate the new Bunnings Warehouse would have a negligible impact on the supply of residential land in the region.

Consistent with Shepparton's Investment Attraction Strategy

The proposed Bunnings Shepparton store represents a significant investment in the Shepparton economy. It is expected that the new Bunnings will enhance the regional profile of Shepparton as a key service centre for the surrounding region. Such an outcome is entirely consistent with the efforts of programs such as Shepparton Show Me and other policies seeking to attract shopping and business spending to Shepparton.

5 SUMMARY AND CONCLUSIONS

A summary of the key conclusions of this report include the following:

- 1 Relocation and expansion of Bunnings Shepparton provides an important opportunity for residents and businesses in Shepparton and adjacent areas to have convenient access to a new and modern hardware and trade supplies sales warehouse that meets modern standards.
- 2 At present, the existing Bunnings Shepparton operates from an out-dated tenancy that is unable to expand in its current location. The product range and standard of customer amenity is well-below modern expectations for Bunnings.
- 3 Although the existing store trades strongly, its ability to meet the requirements of retail and trade customers is limited by the existing floor area and store layout. For this reason, Bunnings has a commercial imperative to seek a new store location.
- 4 The proposed site for a re-located Bunnings Shepparton store is located just 700 metres west of the existing store and immediately adjacent to the Shepparton Marketplace. Importantly, the proposed site allows for the creation of a dedicated trade and business customer entrance from Fordyce Street.
- 5 Bunnings Shepparton serves a trade area that includes the urban area of Shepparton and a large surrounding rural and regional hinterland. For this reason, the proposed new store represents a significant investment in Shepparton by Bunnings that will ensure that the broader region is well-served by high quality hardware and trade supplies facilities.
- 6 Population growth is forecast for the trade area over the coming years, including new residential development associated with growth areas in Shepparton and at larger regional towns. New urban development is an important driver of spending on hardware and trade supplies products, such as those sold by Bunnings.
- 7 Economic benefits generated by the proposed new Bunnings Shepparton include the capital investment by Bunnings (\$20 million, excluding land purchase costs), employment generated during construction (an estimated 44 FTE jobs), and ongoing employment of 190 positions (up from approximately 125 positions at existing Bunnings Shepparton store).
- 8 The proposal will have a minimal impact on the trading performance of other existing retailers in the region, given that approximately 80% of sales at the new warehouse will be a re-direction of sales from the existing Bunnings Shepparton.