City of Greater Shepparton Planning Scheme Amendment C183

Rezoning of 15 – 33 Fordyce Street, Shepparton

Statement of Economic Evidence of Gavin Duane for Planning Panels Victoria

20th July 2015

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1 INTRODUCTION

Personal Details

1.1 My residential address is 20 Govett Street, Randwick, Sydney New South Wales 2031.

1.2 I am an economist and Director of Location IQ.

Qualifications and Experience

1.3 I have provided independent advice in the field of market analysis and strategic research for a wide range of clients in the retail and shopping centre industry. This included working for the following firms:

i. JHD Advisors: November 1993 – December 2002.

ii. Dimasi Strategic Research/Pitney Bowes MapInfo: April 2003 – December 2009.

iii. Location IQ: January 2009 – Present.

1.4 I regularly appear as an independent expert in State Planning courts and tribunals in relation to matters such as Economic Impact Assessments, retail market definitions, industry trends, market shares, consumer behaviour, retail sustainability and the implications of all of the above.

1.5 Key clients in the area of shopping centre and retail development include The GPT Group, Lend Lease, Stockland and Woolworths Limited.

1.6 Attached as Appendix 1 is my detailed curriculum vitae.

Instructions

1.7 I have prepared this statement, which investigates the economic implications of Amendment C183 as they relate to supply of and demand for retail facilities, particularly large format hardware and home improvement stores in Shepparton, based on instructions received from Norton Rose Fulbright Solicitors.

1.8 In preparing this Statement of Evidence, I have not received any instructions to accept, adopt or reject any particular opinion.

1.9 I have reviewed the following documents in order to prepare this Statement of Evidence:

i. The Amendment C183 Exhibition documents.

ii. The Economic Impact Assessment prepared by Essential Economics dated October 2013 lodged as part of the original development application.

iii. Greater Shepparton Planning Scheme.

iv. The Shepparton Retail Trade Area Analysis prepared by Essential Economics for Greater Shepparton Council dated March 2013.

v. The Greater Shepparton Strategy Plan 2030 including background reports from October 2006.

vi. Various submissions made by other parties to the panel.

1.10 I have made all of the enquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the panel.

2 AMENDMENT C183

2.1 The Greater Shepparton City Council has prepared Amendment C183 in relation to land at 15 – 33 Fordyce Street at Shepparton. The Amendment was made at the request of Peninsula Planning Consultants on behalf of Benalla Road Developments Pty Ltd.

2.2 The Amendment proposes to rezone approximately 2 hectares of land from the General Residential Zone to the Commercial 2 Zone and remove the Development Plan Overlay (Schedule 1) from the land.

2.3 Concurrent with the preparation of the Amendment is a planning permit application for land at 90 – 95 Benalla Road and part of 15 – 33 Fordyce Street Shepparton to be developed with buildings and works for 'trade supplies' and 'restricted retail premises' (Bunnings Warehouse), of approximately 19,000 sq.m.

2.4 The Amendment will allow the existing Bunnings Warehouse to be relocated and double in size, with the existing facility of approximately 9,500 sq.m.

2.5 A total of 417 car spaces are proposed to be provided on site and this is indicated to exceed the required provision of the Planning Scheme.

3 GREATER SHEPPARTON PLANNING SCHEME

3.1 Although I am not a Town Planner, I have reviewed clauses within the Planning Scheme in the preparation of my evidence.

Clause 21.06-5 – Commercial/Activity Centres

3.2 Retailing in Shepparton is described as follows in the Planning Scheme:

“The city’s commercial and retailing centres fulfil both local shopping and discretionary shopping needs, and provide services at the regional level.”

3.3 Further, the Activity Centre Hierarchy is described as follows:

i. The Shepparton CBD is nominated as the Regional Centre.

ii. Shepparton Marketplace, Mooroopna CBD and Shepparton Plaza are designated Sub-Regional Centres.

iii. Shepparton South, Fairley’s (Numurkah Road), Tatura, Bi-Lo Echuca Road (Mooroopna) are Neighbourhood/Township centres.

iv. Murchison, Merrigum, Dookie and local shops at Shepparton are Local/Town Centres.

v. Benalla Road, Melbourne Road and Numurkah Road have concentrations of bulky goods retailing.

3.4 Further, in Clause 21.06, the following is stated:

“Council is committed to limiting the development of free-standing centres to specified locations in the municipality’s urban growth corridors and in a number of limited locations which also meet the requirements of the dynamic retail sector (such as bulky goods retailing).

…

Peripheral sales (bulky goods) uses are directed to existing highway locations. When the future population reaches critical mass, these peripheral sales outlets are likely to form thematic clusters, for example a homemaker centre or trade supplies centre."

3.5 Under the heading of *Strategies – Commercial/Activity Centres*, one of the relevant points in relation to the Amendment is to:

> *"Encourage and promote the location of peripheral sales, bulky goods and restricted retail as shown on the framework plan."*

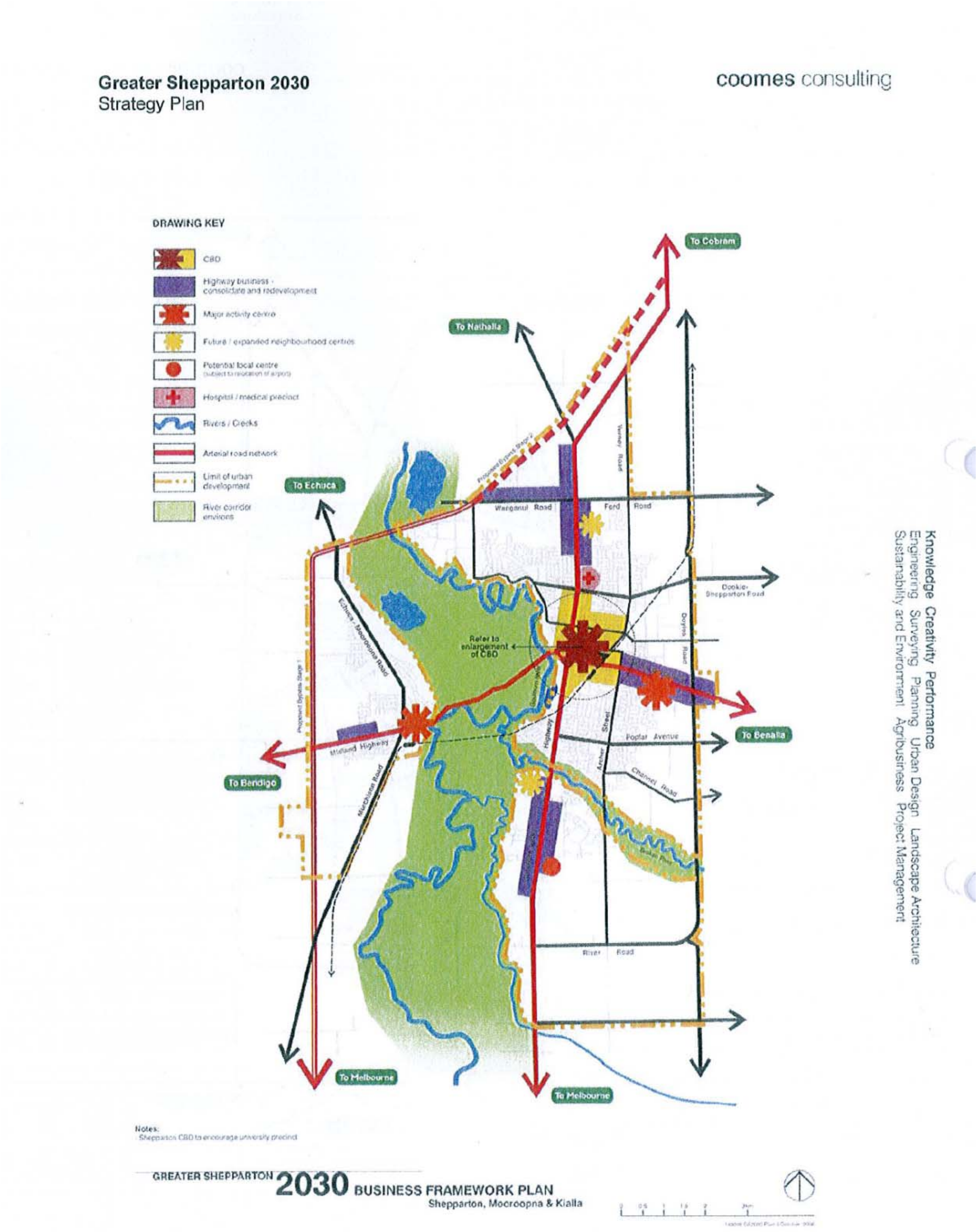
3.6 This Framework Plan is illustrated as Figure 3.1, with highway business, being peripheral/bulky goods retail sites, highlighted.

3.7 In relation to the Amendment, the key points that emerge from Clause 21.06, in my view, are as follows:

i. The subject site is located on Benalla Road/Midland Highway in the area designated for consolidation of peripheral/bulky goods uses.

ii. The subject development will contribute to the conglomeration of bulky goods/trades supplies facilities as intended by the scheme.

FIGURE 3.1 – PLANNING SCHEME, FRAMEWORK PLAN



4 GREATER SHEPPARTON 2030 STRATEGY PLAN

4.1 The Greater Shepparton 2030 Strategy Plan was adopted by Council on 3rd October 2006. The document outlines the preferred future for the Greater Shepparton area, which the community should strive to achieve over the next 20 – 30 years.

4.2 Reinforcing the information outlined in the Greater Shepparton Planning Scheme, Section 5.1 of the 2030 Strategy Plan, under *Strategic Framework Plans* it is noted that the provision for peripheral sales and highway related retailing is provided in a number of precincts with frontage to arterial roads.

4.3 Background Analysis Report Number 5 entitled *Economic Development* was prepared by Coomes Consulting in relation to the Greater Shepparton 2030 Strategy Plan. Section 6 of that background report is entitled *Commercial/Retail Centres*.

4.4 At Section 6.1 of this Background Analysis Report, it is noted that the main trade area served by Shepparton CBD comprises Greater Shepparton plus the surrounding municipalities of Moira and Strathbogie and the southern and eastern parts of Campaspe Shire. Shoppers are also drawn from the wider Goulburn Valley, Benalla, Seymour and Wangaratta, and as far north as Deniliquin in New South Wales.

4.5 Section 6.1.5 is titled *"Bulky Goods and Highway Businesses"* and identifies the need to plan for the provision and location of bulky goods retail in Shepparton. It is noted that this form of retailing typically serves a large regional catchment, which in my view would correspond with the catchment for the Shepparton CBD detailed above.

4.6 Table 6 of the Background Analysis Report then outlines a proposed hierarchy of centres, noting that for bulky goods the locations are Benalla Road, Melbourne

Road and Numurkah Road, with the role identified as serving retail needs for bulky goods shopping, homemaker and building supplies/hardware etc.

4.7 Further, at the bottom of page 42 of the Background Report, in relation to bulky goods retailing, the following is stated:

> *"As demand for bulky goods increases there is the need to identify additional highway sites. Bulky goods retailing can be located in connection with a shopping centre, as it would benefit from the high volume of traffic at a shopping centre, but this is not a necessity for bulky goods retailers who seek sites that are typically much larger than can be accommodated in enclosed shopping centres or in traditional shopping strips."*

4.8 The key information in relation to the Strategy Plan background document is that bulky goods retailing was identified as an important part of the market to serve a regional catchment. Sites should be on major roads, such as Benalla Road where the subject Bunnings Warehouse is proposed, and are indicated as likely to be adjacent to major centres such as Shepparton East Marketplace.

5 ESSENTIAL ECONOMICS IMPACT ASSESSMENT 2013

5.1 Essential Economics prepared an Economic Impact Assessment for the Bunnings Warehouse proposed by Benalla Road Developments Pty Ltd at Shepparton East in October 2013, as part of the original planning permit application.

5.2 Section 2 of the Essential Economics report outlines a trade area for Bunnings extending to the New South Wales border in the north, Benalla in the east, Nagambie in the south and Kyabram in the west. I note that this is a smaller area than indicated to be served by retail facilities in Shepparton based on the Greater Shepparton 2030 Background Analysis Report Number 5.

5.3 Section 3 of the Essential Economics report details existing and future competition, highlighting a range of facilities throughout the trade area and beyond the trade area.

5.4 The letter from Masters Home Improvement of 9th June 2015 in relation to the Planning Scheme Amendment notes that the Economic Impact Assessment did not take into account the proposed Masters development at the corner of Florence Street and Midland Highway that was approved in early 2014, after the preparation of the Economic Impact Assessment.

5.5 My assessment now takes into account this approval.

6 BUNNINGS AND MASTERS COMPARISON

6.1 I have visited a Masters Home Improvement store and a Bunnings Warehouse store and the types of goods which are sold within both stores include:

i. Lighting and fans.

ii. Flooring and tiles.

iii. Kitchen appliances and kitchen fitout (whitegoods).

iv. Bathroom and accessories.

v. Garden and outdoor living.

vi. Electrical and plumbing.

vii. Building, hardware and tools (including paints).

viii. Decorating including wardrobes, cupboards and general homewares.

ix. Windows.

x. Curtains and blinds.

xi. Hardware and doors.

6.2 Although there are some similarities between the Bunnings Warehouse and Masters Home Improvement stores, including the retail warehouse format, concrete flooring, range of departments and large format boxes, there are also some differences including:

i. Masters Home Improvement has a greater product mix and emphasis on the interior of a home as compared with the more exterior, outdoors and general hardware focus at Bunnings Warehouse.

ii. This results in a greater range of products at Masters in whitegoods (fridges, washing machines and ovens) as well as other indoor categories such as lighting but less selection in some other categories. I note Bunnings, in response, is providing a greater variety of these goods, particularly in the larger format stores as now proposed at Shepparton East.

iii. The overall feel and ambience of a Masters Home Improvement store is slightly more sophisticated and provides an enhanced customer experience for certain target markets, particularly for the female homewares customer.

iv. Across certain departments, although the two chains sell similar products, they are often from different suppliers. Appendix 2 provides a list of products in the two stores, highlighting the differences across brands in different categories.

6.3 In terms of a typical size of a store, most Masters Home Improvement stores in operation to date are around 13,000 – 14,000 sq.m.

6.4 Similarly, Bunnings operate a range of store sizes including:

i. Small stores typically of around 3,000 – 4,000 sq.m.

ii. Midsized stores at 6,000 – 8,000 sq.m.

iii. Larger sized Bunnings Warehouse stores are typically in the range of 12,000 sq.m and now up to 19,000 sq.m in size.

6.5 The existing Bunnings store at Shepparton is in between a midsized and a large sized store at 9,500 sq.m, whereas the current proposal is for a larger sized Bunnings stores, being one of the largest within Australia at 19,000 sq.m.

<u>Competition Issues</u>

6.6 Clearly the response from Bunnings, in particular, from the entry of Masters has been to open an increased number of new stores. Further changes implemented by Bunnings in that time include:

i. The largest sized Bunnings stores were typically around 12,000 – 15,000 sq.m, but due to increased range to compete with Masters, and also including larger trade supplies/timber departments, are now upwards of 16,000 – 19,000 sq.m in size.

ii. Bunnings has increased its range as part of their larger size footprint stores to include categories to compete more directly with Masters such as whitegoods, kitchen and bathroom displays and the like.

iii. Bunnings have introduced air conditioning into some of their stores to improve the customer experience, with air conditioning a part of Masters stores but not part of the previous Bunnings typical store.

6.7 The importance of competition in the home improvement market is evidenced by the fact that the purchase of a house is usually the largest capital investment by individuals in Australia. Housing affordability has been a critical issue facing Australians in every city and state for the past decade. The upkeep in investment in fittings of a house are typically large outlays as compared with everyday items such as food and groceries. Consequently, a competitive home improvement sector is vitally important for consumers, given their house is their largest capital outlay and is a large ongoing cost if they are making mortgage repayments.

6.8 The ultimate beneficiary of competition in the home improvement market is the community. That competition has resulted in access to a greater range of goods, no doubt competitively priced, in modern attractive facilities.

7 TRADE AREA ANALYSIS

7.1 This section of the report reviews the trade area likely to be served by the Bunnings Warehouse at Shepparton East.

7.2 The trade area served by any retail facility/showroom is influenced by the following factors:

i. The scale and composition of facilities.

ii. The provision of competitive retail facilities throughout the region.

iii. Regional and local accessibility.

iv. The pattern of urban development.

v. Significant physical and man made barriers.

7.3 On the basis of all of the above, Map 7.1 illustrates the trade area likely to be served by the expanded Bunnings Warehouse at 90 – 94 Benalla Road, Shepparton. The trade area has been defined to include one primary sector and three secondary sectors as follows:

i. A **primary sector** including the Shepparton urban area as well as surrounding towns at Numurkah, Kyabram and Tatura.

ii. A **secondary east sector** encompassing Benalla.

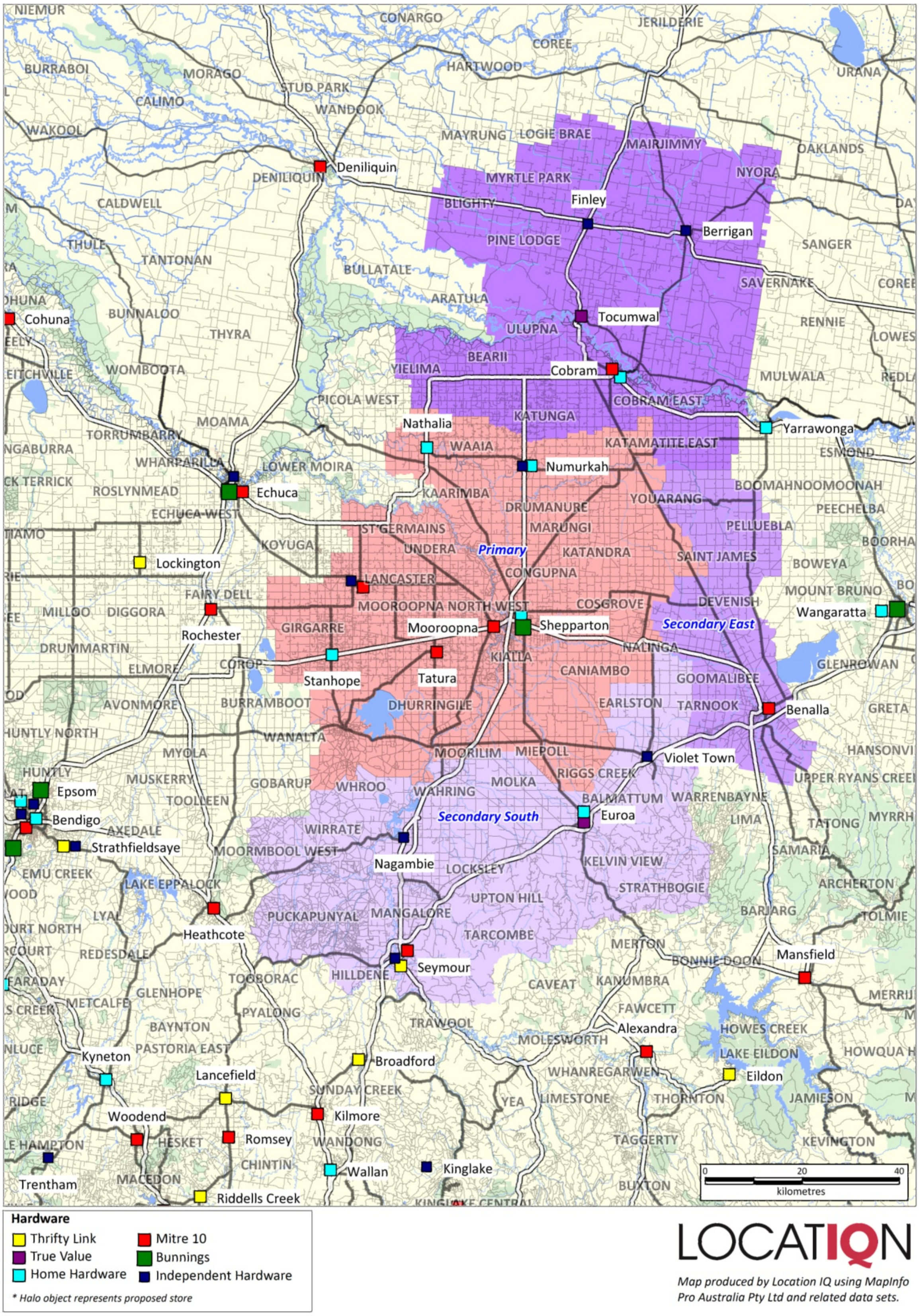
iii. A **secondary south sector** comprising the major townships of Euroa, Nagambie and Seymour.

iv. A **secondary north sector** including Cobram and the New South Wales towns of Tocumwal, Finley and Berrigan.

7.4 The extent of the trade area is limited by major towns such as Wangaratta to the east, Echuca to the north-west and Bendigo to the south-west.

7.5 The combination of the primary and secondary sectors is referred to throughout the remainder of the report as the main trade area served by the proposed Bunnings Warehouse.

MAP 7.1 – SHEPPARTON BUNNINGS TRADE AREA



Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

Population Levels

7.6 Table 7.1 details current and projected main trade area population levels for the Shepparton Bunnings trade area. Information is sourced from the following:

i. The 2006 and 2011 Census of Population and Housing undertaken by the Australian Bureau of Statistics (ABS).

ii. New dwelling approvals sourced from the ABS over the period from 2006/07 to 2013/14.

iii. 2015 population projections at a Small Area Level prepared by Forecast .id for the City of Greater Shepparton.

iv. Victoria Future population forecasts at a Local Government Area level dated 2014.

7.7 The main trade area population is currently estimated at 137,550 persons including 87,090 persons in the primary sector. The main trade area population is projected to increase to 151,800 persons by 2026, including 97,950 persons in the primary sector.

TABLE 7.1 – SHEPPARTON BUNNINGS TRADE AREA POPULATION, 2011 – 2026

Trade Area Sector	Estimated Resident Popn 2011	Forecast Population 2015	2018	2021	2026
Primary Sector	82,610	87,090	90,120	93,150	97,950
Secondary Sectors					
• North	18,880	19,640	20,060	20,480	21,280
• East	12,270	12,310	12,460	12,610	12,860
• South	17,830	18,510	18,810	19,110	19,710
Total Secondary	48,980	50,460	51,330	52,200	53,850
Main Trade Area	**131,590**	**137,550**	**141,450**	**145,350**	**151,800**
		Average Annual Change (No.)			
		2011-2015	2015-2018	2018-2021	2021-2026
Primary Sector		1,120	1,010	1,010	960
Secondary Sectors					
• North		190	140	140	160
• East		10	50	50	50
• South		170	100	100	120
Total Secondary		370	290	290	330
Main Trade Area		**1,490**	**1,300**	**1,300**	**1,290**
		Average Annual Change (%)			
		2011-2015	2015-2018	2018-2021	2021-2026
Primary Sector		1.3%	1.1%	1.1%	1.0%
Secondary Sectors					
• North		1.0%	0.7%	0.7%	0.8%
• East		0.1%	0.4%	0.4%	0.4%
• South		0.9%	0.5%	0.5%	0.6%
Total Secondary		0.7%	0.6%	0.6%	0.6%
Main Trade Area		**1.1%**	**0.9%**	**0.9%**	**0.9%**
Australian Average		*1.5%*	*1.4%*	*1.3%*	*1.2%*

All figures as at June
All figures are based on 2011 SA1 boundary definition with the exception of 2006 which is based on 2006 CCD boundary definition. 2006 and 2011 ERP is calculated using 2011 enumeration factor.
Sources : ABS; Forecast id;Vic. DPCD

Socio-economic Profile

7.8 Table 7.2 details the socio-economic profile of the trade area population based on the ABS 2011 Census of Population and Housing compared with non-metropolitan Victorian and Australian averages. The key information presented includes:

i. Trade area residents earn average income levels slightly below comparable non-metropolitan Victorian averages on both a per capita and a per household basis.

ii. The average age of trade area residents is younger than the comparable non-metropolitan Victorian average in the primary sector and slightly older than average in the secondary sectors.

iii. There is a high level of home ownership throughout the trade area.

iv. The trade area population is predominantly Australian born.

v. Family households comprising couples with dependent children are the largest household type.

7.9 Families that own or are purchasing their homes would benefit from the provision of a choice of large format home improvement stores, including competitive pricing and improved choice for home improvement needs. Family orientated households are likely to invest in their properties and generally spend a high proportion of their income on supplies for home repairs, alterations and do-it-yourself projects.

TABLE 7.2 – SHEPPARTON BUNNINGS TRADE AREA, SOCIO-ECONOMIC PROFILE, 2011

Characteristics	Primary Sector	Secondary Sectors North	Secondary Sectors East	Secondary Sectors South	Main TA	NM Vic Average	Aust Average
Income Levels							
Average Per Capita Income	$26,577	$24,500	$26,403	$27,464	$26,382	$28,456	$34,201
Per Capita Income Variation	-6.6%	-13.9%	-7.2%	-3.5%	-7.3%	n.a.	n.a.
Average Household Income	$66,379	$58,106	$59,689	$63,101	$64,016	$69,058	$87,928
Household Income Variation	-3.9%	-15.9%	-13.6%	-8.6%	-7.3%	n.a.	n.a.
Average Household Size	2.5	2.4	2.3	2.3	2.4	2.4	2.6
Age Distribution (% of Pop'n)							
Aged 0-14	20.7%	19.4%	17.6%	17.6%	19.8%	19.2%	19.3%
Aged 15-19	7.1%	6.5%	7.3%	6.3%	6.9%	6.8%	6.5%
Aged 20-29	11.0%	8.8%	9.1%	10.1%	10.3%	10.9%	13.8%
Aged 30-39	11.7%	10.3%	8.7%	10.4%	11.0%	11.4%	13.8%
Aged 40-49	13.8%	12.5%	12.9%	12.9%	13.4%	13.7%	14.2%
Aged 50-59	13.3%	13.9%	15.0%	15.0%	13.8%	13.9%	12.8%
Aged 60+	22.4%	28.7%	29.4%	27.8%	24.7%	24.1%	19.6%
Average Age	38.9	41.9	43.0	42.2	40.2	40.1	37.9
Housing Status (% of H'holds)							
Owner/Purchaser	71.9%	74.4%	73.2%	71.3%	72.3%	74.6%	69.3%
Renter	28.1%	25.6%	26.8%	28.7%	27.7%	25.4%	30.7%
Birthplace (% of Pop'n)							
Australian Born	87.7%	89.2%	91.9%	90.1%	88.6%	88.7%	73.9%
Overseas Born	12.3%	10.8%	8.1%	9.9%	11.4%	11.3%	26.1%
• Asia	2.3%	1.5%	1.2%	1.4%	1.9%	1.6%	7.6%
• Europe	5.3%	5.6%	4.7%	6.0%	5.4%	6.5%	9.4%
• Other	4.7%	3.8%	2.2%	2.5%	4.1%	3.2%	9.1%
Family Type (% of Pop'n)							
Couple with dep't children	43.8%	40.9%	35.2%	36.6%	41.6%	42.0%	45.3%
Couple with non-dep't child.	6.7%	5.7%	6.1%	6.5%	6.5%	6.5%	7.7%
Couple without children	23.8%	29.3%	28.5%	28.5%	25.7%	25.7%	23.0%
Single with dep't child.	10.6%	8.8%	11.2%	10.0%	10.3%	9.8%	9.2%
Single with non-dep't child.	2.9%	1.9%	3.4%	3.8%	2.9%	3.1%	3.5%
Other family	0.8%	0.7%	0.8%	0.7%	0.8%	0.8%	1.1%
Lone person	11.4%	12.6%	14.9%	13.9%	12.2%	12.3%	10.2%

Sources : ABS Census of Population and Housing 2011

Relevant Spending Market

7.10 As discussed previously in Section 6, the types of retail categories that are typically incorporated within the large format hardware and home improvement stores are as follows:

(a) Hardware
(b) Curtains and Blinds
(c) Doors
(d) Heating & Cooling
(e) Flooring
(f) Home Decor & Paint
(g) Lawn & Garden
(h) Lighting & Fans
(i) Outdoor Living
(j) Household Appliances
(k) Furniture
(l) Browngoods
(m) Manchester
(n) Whitegoods

7.11 Given the nature of the products sold within the Australian home improvement market, stores operating within the sector primarily serve two separate customer segments, being:

a. Residents purchasing products for personal or non-business related uses, such as tools and building equipment to refurbish their home, or plants and soil for landscaping their garden. This customer segment is commonly referred to as the 'retail customer.'

b. Businesses or tradespeople purchasing supplies for business related uses, such as a builder purchasing supplies to renovate a customer's home. This customer segment is commonly referred to as the 'trade customer.'

7.12 It is my understanding that Bunnings Warehouse stores attract the majority of their business from a residential customer base, with trade sales accounting for around 20% of store sales. Table 7.3 details the home improvement resident market in the trade area, the customer segment most relevant to the Bunnings

Warehouse, comprising the 'Hardware Market' (including hardware and garden spending) as well as 'Other Household Goods' (including household equipment, whitegoods, floor coverings, furniture, manchester, curtains and blinds, home decoration, glassware/tableware and household appliances).

7.13 Main trade area home improvement expenditure is projected to increase from $235.7 million in 2015 to $290.4 million in 2026, expressed in constant 2014/15 dollars, including GST and a 1% per annum increase in retail spending. These forecasts have been based on MarketInfo estimates.

TABLE 7.3 – SHEPPARTON BUNNINGS TRADE AREA SPENDING MARKET, 2015 – 2026 ($M)

	Primary Sector			Secondary Sectors			Main Trade Area		
Y/E June	*Hardware*	*Other H'H Goods*	*Total*	*Hardware*	*Other H'H Goods*	*Total*	*Hardware*	*Other H'H Goods*	*Total*
2015	48.0	99.3	147.2	27.9	60.6	88.5	75.8	159.9	235.7
2016	49.0	101.5	150.6	28.3	61.6	89.9	77.4	163.1	240.5
2017	50.1	103.7	153.8	28.8	62.6	91.4	78.9	166.3	245.2
2018	51.2	105.9	157.1	29.2	63.6	92.8	80.4	169.5	249.9
2019	52.3	108.2	160.5	29.7	64.6	94.3	82.0	172.8	254.7
2020	53.4	110.5	163.9	30.2	65.6	95.7	83.5	176.1	259.6
2021	54.5	112.8	167.4	30.6	66.6	97.2	85.2	179.4	264.6
2022	55.6	115.2	170.8	31.1	67.7	98.8	86.8	182.8	269.6
2023	56.8	117.5	174.3	31.6	68.8	100.4	88.4	186.3	274.7
2024	57.9	119.9	177.8	32.2	68.8	100.9	90.1	188.6	278.7
2025	59.1	122.3	181.4	32.7	71.0	103.7	91.8	193.3	285.1
2026	60.3	124.8	185.0	33.2	72.2	105.4	93.5	196.9	290.4
Expenditure Growth									
2015-2021	6.6	13.6	20.1	2.8	6.0	8.8	9.3	19.6	28.9
2021-2026	5.8	11.9	17.7	2.6	5.6	8.1	8.3	17.5	25.8
2015-2026	12.3	25.5	37.8	5.3	11.6	16.9	17.6	37.1	54.7
Average Annual Growth Rate									
2015-2021	2.2%	2.2%	2.2%	1.6%	1.6%	1.6%	1.9%	1.9%	1.9%
2021-2026	2.0%	2.0%	2.0%	1.6%	1.6%	1.6%	1.9%	1.9%	1.9%
2015-2026	2.1%	2.1%	2.1%	1.6%	1.6%	1.6%	1.9%	1.9%	1.9%

**Constant 2014/15 dollars & Including GST*
Source : Marketinfo

7.14 Further, as a guide to the growing residential market which is driving demand for hardware goods within the region, Table 7.4 outlines the value of new dwelling approvals in the main trade area for the 2013/14 year. This figure is some $368.2 million of which new houses accounted for $204.0 million. This is a substantial level of spending on dwellings, both residential and non-residential, within the trade area. Continued residential growth in the trade area will result in further spending in this sector.

TABLE 7.4 – MAIN TRADE AREA, NEW DWELLING APPROVALS DATA

2013 - 2014	Main Trade Area**
Value of New Houses ($M)	$204.0
Value of New Other Dwellings ($M)	$4.2
Value of alt. & add. to residential buildings ($M)*	$56.5
Value of total residential building ($M)	**$264.7**
Value of non-residential building ($M)	$103.5
Value of total building ($M)	**$368.2**

** Includes conversions*
*** Includes the LGAs of Shapparton, Moira and Upper Goulburn Valley and the SA2 of Kyabram*
Source: ABS 87310DO006

8 COMPETITION

8.1 The proposed Bunnings store will compete within two different spending markets, the hardware and other household goods markets.

Hardware Market

8.2 Table 8.1 and Map 8.1 outline the provision of general hardware facilities within the surrounding region. Hardware stores can generally be classified as follows:

i. Small hardware retailers typically less than 2,000 sq.m in size.

ii. Medium sized stores, typically ranging in size from 4,000 – 8,000 sq.m.

iii. Large format warehouses over 10,000 sq.m.

8.3 In the primary sector, in the Shepparton urban area, the major facilities currently include Bunnings and Home Hardware although both are less than 10,000 sq.m. The latest format, modern large format home improvement stores of over 10,000 sq.m would be expected to be provided in a significant urban area such as Shepparton. In the surrounding towns, generally 20 – 40 km away are a range of smaller independent Mitre 10 and Home Hardware stores of less than 2,000 sq.m (small sized stores).

8.4 In the secondary sectors, again there are a range of smaller facilities (less than 2,000 sq.m) and a mid-sized Mitre 10 store at Benalla (in the secondary east sector of 3,800 sq.m) and a mid-szed Cobram Home Hardware (3,500 sq.m store in the secondary north sector).

8.5 Beyond the trade area, there are large existing Bunnings facilities at Echuca, Wangaratta and Bendigo (two stores with the recently opened Epsom facility in addition to the Kangaroo Flat store).

8.6 In addition to hardware stores, there are a range of other specialist facilities throughout the region including paint, garden and outdoor, plumbing, electrical, pool equipment and supplies, flooring, tools, building supplies and the like which would also compete with the subject Bunnings Warehouse. These facilities are almost exclusively located in industrial areas with some of the larger facilities being trade supplies stores such as Bowens (generally less than 2,000 sq.m).

Other Household Goods Market

8.7 Map 8.2 then details the other major household goods retailers throughout the trade area, particularly in Shepparton. The majority of larger national large format/bulky goods retailers are located within the Shepparton urban area including large electrical retailers such as Harvey Norman, The Goods Guys; generalist stores such as Barbecues Galore; and bedding and furniture specialists such as Forty Winks and Fantastic Furniture; as well as automotive stores such as Autobarn and Super Cheap Auto.

8.8 There is also a range of traditional retail centres throughout the Shepparton urban area, although with limited crossover product typically between traditional retail facilities such as discount department stores and Bunnings. These traditional retail facilities are not of any significance to the proposed expansion of Bunnings.

TABLE 8.1 – HARDWARE COMPETITORS

Centre	Shopfront GLA (sq.m)	**Hardware Trader**	Dist. From Bunnings Shepparton (km)
Within Main Trade Area			
Large Format[1]			
Shepparton	16,800	Bunnings Warehouse (9,500), Home Hardware/Hunter Store (7,300)	
Primary Sector			
Small Format			
Mooroopna	1,800	Mitre 10 (1,800)	4
Tatura	1,200	Mitre 10 (1,150)	20
Kyabram	1,000	Mitre 10 (600), Independent (350)	35
Numurkah	2,500	Home Hardware (850), Independent (1,600)	35
Nathalia	1,400	Home Hardware (1,400)	35
Stanhope	700	Home Hardware (700)	40
Secondary Sectors			
Benalla	3,800	Mitre 10 (3,800)	60
Euroa	2,000	Home Hardware (1,050), True Value (950)	
Violet Town	200	Independent (200)	50
Nagambie	1,300	Independent (1,250)	55
Cobram	4,700	Home Hardware (3,500), Mitre 10 (1,200)	65
Tocumwal	800	True Value (750)	80
Seymour	4,200	Mitre 10 (2,250), Thrifty Link (1,400), Independent (500)	100
Finley	200	Independent (180)	100
Berrigan	500	Independent (500)	105
Beyond Main Trade Area			
Mid -Large Format			
Echuca	9,000	Bunnings Warehouse (7,000), Mitre 10 (2,000)	70
Wangaratta	5,300	Bunnings Warehouse (5,315)	100
Bendigo*	20,600	Bunnings Warehouse (9,250), Bunnings (11,250)	120
	6,500	Home Home Hardware (6,500)	

** Two Bunnings stores at Bendigo - Epsom and Kangaroo Flat*
Source: LocIQ

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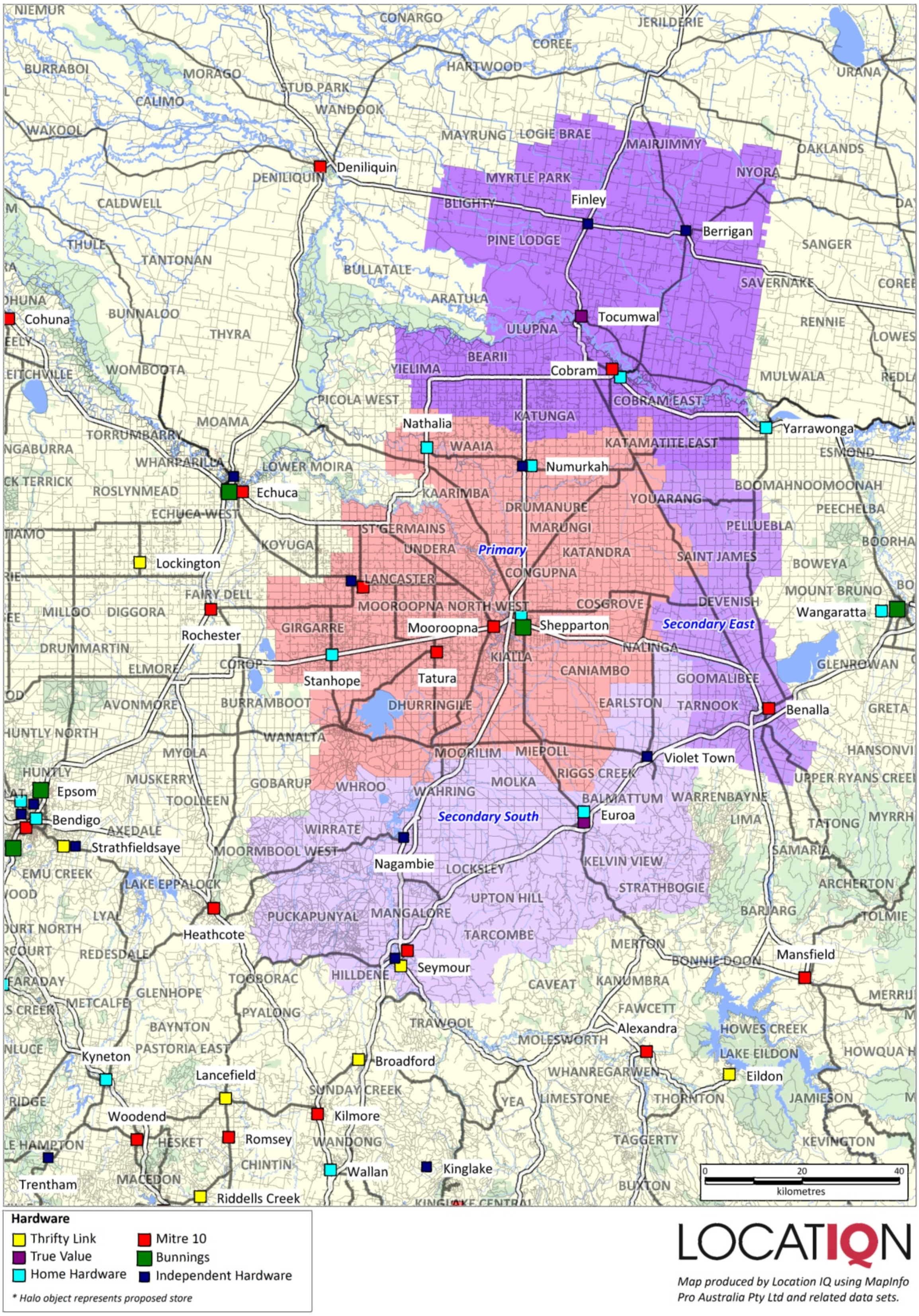
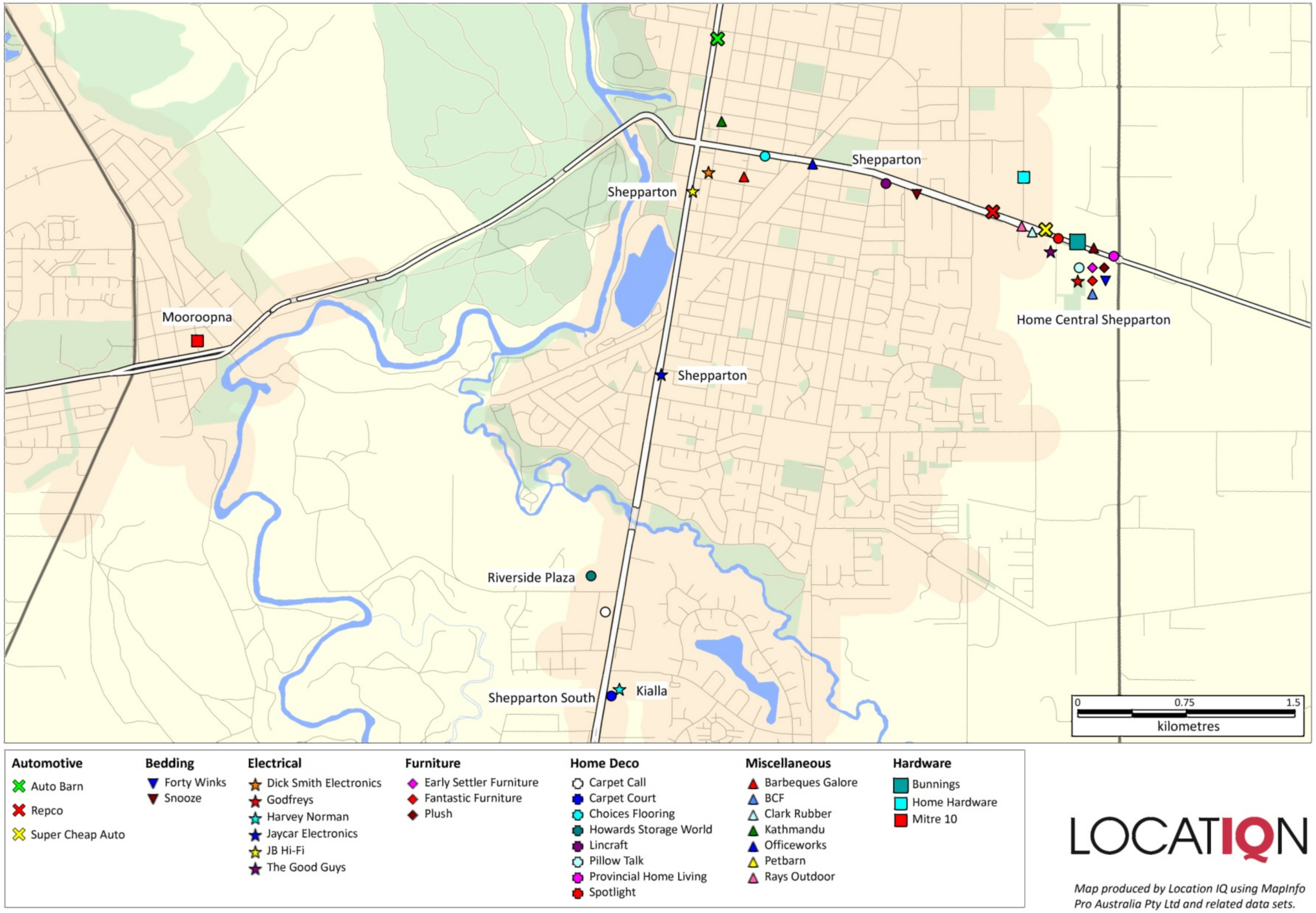
MAP 8.1 – HARDWARE COMPETITORS



LOCATIQN

Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

MAP 8.2 – OTHER HOUSEHOLD GOODS RETAILERS



Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

9 ECONOMIC DEMAND

9.1 This section of the report considers the sales potential for the proposed Shepparton Bunnings Warehouse.

9.2 Table 9.1 details potential sales for the proposed Bunnings Warehouse at Shepparton. Calculations in this table go through a series of steps, commencing with the available residents' hardware and home improvement expenditure, assessing the share of expenditure which the existing Bunnings Warehouse attracts and the additional share it would attract from an expanded store and then concluding the likely sales that the store could generate from the trade market and business from beyond the trade area.

9.3 The analysis in Table 9.1 is as follows:

i. For the main trade area, the total residents hardware and home improvement spending market is $235.7 million in 2015 and projected to increase to $249.9 million by 2018 (expressed in constant 2015 dollars).

ii. The existing Bunnings Warehouse is estimated to achieve an 10% share of this market which is projected to increase to a 13% share by 2018 for an expanded store. Even though the size of the Bunnings Warehouse doubles, the market share does not double allowing for Masters to open in Shepparton). Allowances are made for additional business from beyond the trade area at 10% and additional business from trade customers at 20%.

iii. On this basis, existing sales for the Bunnings Warehouse are $32.7 million in 2015 and projected to increase to $45.1 million by 2018 (expressed in constant 2015 dollars and including GST).

iv. Sales for the existing store are estimated at $3,450 per sq.m currently, and projected for the expanded store at $2,760 per sq.m by 2026 (expressed in constant dollars).

9.4 The above analysis allows for the addition of competitors such as Masters at Shepparton, otherwise the increase in sales for Bunnings would be greater.

TABLE 9.1 – BUNNINGS EXISTING AND PROJECTED SALES, 2015 – 2026

	Financial Year			
	2015 Existing	**2018** Post Exp.	**2021**	**2026**
Total Hardware & Home Improvement (HHI) Spending				
Main Trade Area ($M)	235.7	249.9	264.6	290.4
Shepparton Bunnings Market Share of HHI (@10% currently increasing to 13% by 2018)				
Shepparton Bunnings Main Trade Area Sales ($M)	23.6	32.5	34.4	37.8
Additional Business from Beyond Trade Area (@10%)				
Additional Sales ($M)	2.6	3.6	3.8	4.2
Shepparton Bunnings Main Trade Area & Beyond Sales ($M)	26.19	36.1	38.22	41.95
Additional Business From Trade Sales (@20%)				
Additional Sales ($M)	6.5	9.0	9.6	10.5
Shepparton Bunnings Total Sales ($M)	32.7	45.1	47.8	52.4

** Constant 2014/15 dollars & Including GST.*

10 ECONOMIC IMPACTS

10.1 This section outlines the likely sales impacts on competing facilities as a result of the development of the proposed Bunnings Warehouse.

10.2 Table 10.1 outlines the projected impacts. The table commences with an estimation of the current and projected main trade area resident home improvement market. As shown, forecast growth in the main trade area resident home improvement market is estimated at $14.2 million, or 6.0% between 2015 and 2018.

10.3 The table then presents a calculation of the projected total home improvement sales split between the proposed Bunnings Warehouse and other surrounding facilities now and in 2017/18. Main trade area generated sales for the proposed Bunnings Warehouse are projected at $32.5 million in 2018, an increase from $23.6 million currently. Sales available to other retailers, both within and beyond the defined main trade area, are also indicated in the Table.

10.4 Also shown in the Table is an estimate of sales for the Shepparton Masters store and the available market to all other stores. Importantly, the cumulative impact from the Bunnings expansion and the Masters development is a 7.1% fall in sales for other retailers from $212.1 million in 2015 to $197.1 million in 2018.

10.5 Table 10.1 then summarises estimated trading impacts on other competitive stores within the Shepparton market. These impacts are based on the proposed opening year for the store (2017/18).

10.6 The results of these calculations show an estimated reduction in the available home improvement residents' market for other facilities is in the order of 4.5% from the Bunnings expansion. This means that the impact from the Bunnings expansion is estimated at 4.5% on average across the market, as a result of its expansion.

TABLE 10.1 – BUNNINGS WAREHOUSE TRADING IMPACT ASSESSMENT, 2015 – 2018

	Unit	Existing 2015	Projected 2018	Change $M[1]	Change %
Main Trade Area Home Improvement Market					
Main Trade Area Retail Customer Market	$M	235.7	249.9	14.2	6.0%
Est. Main Trade Area Home Improvement Market	$M	235.7	249.9	14.2	6.0%
Calculation of Home Improvement Market (With Bunnings Development)					
Shepparton Bunnings Store MTA Sales[2]	$M	23.6	32.5	8.9	n.a.
Shepparton Masters MTA Sales	$M	0.0	20.3	20.3	n.a.
Market Available for Other Stores (Excluding Bunnings)	$M	212.1	197.1	-15.0	-7.1%
Est. Main Trade Area Home Improvement Market	$M	235.7	249.9	14.2	6.0%
Est. Sales Impact of Development (2018)					
• Projected Sales Post Shepparton Bunnings & Masters Dev't Compared with Current Sales (2015)	%			-15.0	-7.1%
• Projected Sales Post Shepparton Bunnings Dev't Compared with Projected Sales Pre Dev't (2018)	%			-11.2	-4.5%

1. Constant 2014/15 dollars & Including GST
2. Total sales of $36.1 million minus 10% generated from spending beyond the main trade area.

10.7 The likely reduction in the available resident home improvement market, as detailed above, is the estimated average impact across competitive home improvement stores both within and beyond the defined trade area. Some stores are likely to be impacted more than others based on their offer and competitive situation relative to the proposed Bunnings Warehouse.

10.8 For example, projected impacts will be highest on the existing and proposed medium and large format hardware and home improvement stores, namely the Home Hardware and proposed Masters Home Improvement Store. More limited impacts will then result on the smaller hardware stores and other household goods traders.

10.9 It is important to note that the impacts from the proposed Bunnings Warehouse are only likely to be experienced by competitive stores in the short-term and these stores will benefit from growth in the home improvement market once these impacts have been absorbed.

10.10 Due to the fact that many hardware and home improvement traders do not report sales, it is difficult to predict exactly what sales levels are being achieved by surrounding stores, especially as Masters is not yet trading.

10.11 In economics, typically any impact of less than 10% is considered within the normal competitive range, with impacts in the order of 10% - 15% being high and impacts greater than 15% in the very high category. The average impact from the Bunnings expansion is very low at 4.5%.

10.12 The impact on the proposed Masters store at Shepparton is likely to be around 15%, on what it would have achieved without Bunnings expanding. Although the impact on this individual store is in the very high category, it is unlikely to affect the viability of the store and its ability to offer a full range of goods in an efficient manner for Masters customers. Masters is a major investment by Woolworths in a joint venture with Lowes from the United States. The first Masters Home Improvement store opened in 2011 in direct competition with Bunnings. There are examples of Masters opening stores against larger sized Bunnings facilities in locations such as Ballarat in Victoria, Bathurst, Lismore, Coffs Harbour and Wagga Wagga in New South Wales.

10.13 The Home Hardware store may also be impacted to some degree, but this store effectively concentrates on operating and servicing the trade market and will continue to service that particular customer base.

10.14 The website for the Hunter Group for their Home Hardware store at Florence Street Shepparton indicates the following:

> *"Our Shepparton complex has our main retail store as well as our head office, where all management and administration is conducted. Our Shepparton store stocks our full range of Hunter Rural and Hunter Steel products, as well as being an accredited Indepet superstore, stocking a large range of pet products. Shepparton is also a Home Hardware store, and stocks a full range of hardware, timber and building supplies for trade and do-it-yourself needs.*

Shepparton also stocks outdoor furniture, paint, a full range of power tools and also has a thriving nursery for all gardening needs."

10.15 As indicated, the Home Hardware store combined with Hunter Rural and Steel has a variety of customer segments which it services and it particularly targets the trade market. The trade market includes businesses or tradesman purchasing supplies for business related uses, such as a builder purchasing supplies to renovate a client's home. This customer segment is commonly referred to as the 'trade customer.'

10.16 The importance of the trade customer for certain stores can be ascertained from Australian Bureau of Statistics (ABS) data. The ABS conducts a survey of retail and wholesale industries around every six years and results from these surveys are used to provide an indication of total income and expenditure for retail verses wholesale (trade) businesses throughout Australia.

10.17 The ABS uses the results from the survey to calculate the level of expenditure by retail and wholesale businesses that is directed to other businesses and organisations (trade market) and what proportion is directed to the general public (retail market).

10.18 Table 10.2 uses data taken from the most recent 2005/06 survey to determine the proportion of sales the retail and trade customers contribute to the home improvement market. Estimates for both the hardware market (consisting of hardware, building supplies and garden supplies) and the other household goods market (components outlined in the table below) are provided.

10.19 As indicated in Table 10.2, the retail customer accounts for approximately 51.3% of total hardware sales. The share contributed by the trade market is only slightly lower at 48.7%. This would be relevant for a trader like Home Hardware which would have a higher than average proportion of trade customer sales in my view.

10.20 A greater disparity exists within the other household goods market, with the retail customer estimated to account for 83.2% of sales and the trade customer likely to contribute around 16.8% to the market.

10.21 As such, based on the survey of retail and wholesale industries, in the home improvement key customer segments (retail and trade) the proportion of home improvement sales are:

- 72.8% for retail or residential customers.
- 27.2% for trade or business customers.

TABLE 10.2 – RETAIL AND WHOLESALE SALES, 2005/06

	Retail Sales		Wholesale (Trade) Sales	
Category	Total ($M)	% of Category	Total ($M)	% of Category
Hardware[1]	7,129.9	51.3%	6,757.4	48.7%
Other Household Goods[2]	23,774.6	83.2%	4,802.3	16.8%
Total Home Improvement Market	**30,904.5**	**72.8%**	**11,559.7**	**27.2%**

[1]Hardware and Building Supplies Retailing & Garden Supplies Retailing
[2]Furniture Retailing, Floor Coverings Retailing, Houseware Retailing, Manchester and Other Textile Goods Retailing, Electrical, Electronic and Gas Appliance Retailing, Other Electrical and Electronic Goods Retailing & Sport and Camping Equipment Retailing
Source: ABS (8622.0)

10.22 Most other hardware stores within and immediately beyond the trade area would be impacted at less than the normal competitive range of less than 10%.

10.23 In relation to traditional retail facilities such as Shepparton Marketplace anchored by department stores, discount department stores and supermarkets, there will be a negligible impact on traditional facilities, with some minor impacts likely to be experienced by the discount department stores in those centres.

Supportability of Hardware Stores

10.24 Large format home improvement stores such as Bunnings Warehouse and Masters Home Improvement stores of over 10,000 sq.m typically require a catchment population of around 40,000 – 50,000 persons. Smaller sized stores of 6,000 – 7,000 sq.m typically require 25,000 – 30,000 persons.

10.25 The main trade area population at over 137,000 persons currently and projected to increase to 151,000 persons by 2026 could clearly support three large format stores of over 10,000 sq.m. Currently, there are no stores greater than 10,000 sq.m within the total trade area, with Bunnings being a store of 9,500 sq.m.

10.26 As a guide to the operation of large format home improvement stores such as Masters Home Improvement and Bunnings Warehouse, it is relevant to note that Bunnings and Masters compete in a number of regional towns in Victoria and New South Wales, with Bunnings being larger than Masters. These examples are highlighted in Table 10.3. Shepparton is a comparable example in terms of population size and competition to a number of these locations.

TABLE 10.3 – COMPARABLE EXAMPLES, VICTORIA AND NEW SOUTH WALES

Regional Town	Est. Tenant Size (Sq.m) Bunnings Warehouse	Trade Centre	Total	**Masters Total**	**2015 Population**	**GLA per 1,000 persons**
Ballarat	14,000	2,000	16,000	13,500	130,000	108
Wagga Wagga*	14,000	0	14,000	13,500	120,000	117
Coffs Harbour*	15,000	3,000	18,000	11,000	110,000	136
Lismore	9,500	0	9,500	11,000	75,000	127
Bathurst	7,700	0	7,700	12,000	60,000	128
Shepparton**	19,000	0	19,000	13,500	141,450	134

** Recently expanded/new stores which replaced old stores.*
*** 2018 Population*

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11 CONCLUSIONS

11.1 There is sufficient demand for the expansion of the Bunnings Warehouse store at Shepparton, in addition to Masters by 2018.

11.2 This is consistent with the research which shows that Masters and Bunnings operate in conjunction in large sized towns which have regional catchments well in excess of 100,000 persons and closer to 150,000 persons by 2026 as is the case in Shepparton.

11.3 The expanded Bunnings Warehouse will result in additional choice, convenience, price and service options for spending on home improvement and hardware items for what is usually the largest capital investment by individuals/families in Australia being the purchase of a house. Housing affordability is a critical issue facing Australians in every city and state. The upkeep and investment in a house is typically a large outlay as compared with everyday items such as food and grocery items. A competitive home improvement sector is vital for consumers.

11.4 There has been an increasing trend over a number of years in the do-it-yourself and gardening market and the proposed expanded Bunnings Warehouse would particularly target this type of expenditure.

11.5 The existing Bunnings store is small by Bunnings Warehouse standards for similar sized regional towns. The provision of a larger store would benefit the community by providing the full range of goods for what is one of the largest and most successful hardware retailers in Australia.

11.6 The proposed development will strengthen the Midland Highway/Benalla Road precinct as a peripheral retail/trades supplies restricted retail premises precinct.

11.7 No other bulky goods or showroom precinct will be impacted to any significant degree, with no detrimental impacts on the traditional retail hierarchy.

11.8 The growth in the trade area population will result in additional demand for both hardware and home improvement spending. This growth also means that any impacts on competitive stores will be offset over time.

11.9 The proposal would result in additional employment and jobs as a result of an expanded Bunnings Warehouse store. The estimated net increase in jobs would be in the order of 170, with multiplier effects throughout the remainder of the economy resulting in other increased jobs.

Signed:

Gavin Duane

20th July 2015

APPENDIX 1

APPENDIX 1 GAVIN DUANE CURRICULUM VITAE

Gavin studied at the University of Melbourne between 1988 and 1991, graduating with a Bachelor of Economic (Honours). After a year at Melbourne Water as a graduate economist, Gavin commenced work in the field of retail and shopping centre analysis at JHD Advisors in November 1993.

Since 1993 Gavin has provided independent advice in the fields of market analysis and strategic research for a wide range of clients in the retail and shopping centre industries. He founded Duane Location IQ in January 2009. Prior to that time Gavin joined Dimasi Strategic Research as an Associate Director in April 2003. Dimasi Strategic Research was acquired by Pitney Bowes MapInfo in August 2005. Gavin held the role of Director of Client Services for the Strategy & Analytics division until December 2008.

Gavin regularly appears as an independent expert in state planning courts and tribunals, on matters relating to economic impact assessments, retail market definitions, industry trends, market shares, consumer behaviour and their implications.

APPENDIX 2

APPENDIX 2 MASTERS VERSUS BUNNINGS PRODUCTS

Masters	Bunnings
Kitchen Brands	
• Abbey	• Everdure
• Fisher & Paykel	• Bellini
• Samsung	
• Westinghouse	
• Kelvinator	
Power Tools	
• Worx	• Ozito
• Bosch	• Makita
• 090	• Ryobi
• Li-Lon	• AEG
• Panasonic	• Bosch
• Kitachi	• DeWalt
Paint	
• Amaco	• White Knight
• Aussie Clear	• Bristol
• Berger	• British Paints
• Bulls Eye	• Taubmans
• Cabot's	• Spring
• Cuprinol	• Cabot's
• Dulux	• Dulux
• Eco Organic Garden	
• Wattyle	
• Zinsser	
• Organoil	
Tiles	
• Roca	• Cotto Tiles
• Lavica	• Johnson Tiles
• Astral	• DTA
	• Ellazza

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