

AMENDMENTS C192 AND C193 TO THE GREATER SHEPPARTON PLANNING SCHEME

ECONOMIC EXPERT EVIDENCE

17 JULY 2017
PREPARED FOR LASCORP DEVELOPMENT GROUP

URBIS

URBIS STAFF RESPONSIBLE FOR THIS REPORT WERE:

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INTRODUCTION

PLANNING PANELS EXPERT WITNESS STATEMENT

1. This report has been prepared by Rhys Matthew Quick, Director, Property Economics & Research, Urbis Pty Ltd, 12th Floor, 120 Collins Street, Melbourne.
2. My qualifications and experience include a Bachelor of Economics (Honours) from Monash University, together with over 18 years' experience in Property Economics and Research consulting, with my specialisation being the preparation of Economic Impact and Supply and Demand Assessments of property development, in particular retail development. My Curriculum Vitae is attached as Appendix B.
3. Assistance in undertaking some of the analysis in this report has been provided by Marc Fegredo and Mike Zhang, senior consultants with Urbis.
4. I was initially consulted by Lascorp in late May 2017 in relation to their application for a shopping centre development in Shepparton North at 221-229 Numurkah Road and 10 Ford Road (the Lascorp development) and the associated proceedings relating to Amendments C192 and C193 of the Greater Shepparton Planning Scheme. I had not been involved in the assessment of their proposed development in any way prior to that time.
5. I received formal written instructions in this matter from Ms Amy Golvan, Legal Counsel for Lascorp, detailed in a letter dated 30 May 2017 as follows:

"We require you to prepare a statement of evidence to present at the Panel Hearing which addresses the following:

- *An overview of the regional and local context of the site and the proposed development;*
- *An assessment of the trade area available to the proposed centre, including estimates and projections of population and retail expenditure in the trade area as well as the socio-demographic profile of the trade area population.*
- *The competitive environment of the surrounding area.*
- *The likely sales potential and market shares for the proposed neighbourhood centre.*
- *An assessment of the potential economic and social benefits, and also the impacts that can be anticipated from the proposed development."*

6. To fully address these points in the context of Amendments C192 and C193, this report also considers other matters of relevance in an economic sense arising from the recent applications by 18 Pty Ltd for expansion of the retail offer on the Fairley's IGA site (the IGA site).
7. In preparing this report, I have had reference to all documents provided to the Panel to this time relating to the preparation of the respective amendments and the submissions received in response. A key document within this has been the Commercial Activity Centres Strategy prepared by Essential Economics which is the subject of Amendment C192. I have also reviewed the recent applications made by 18 Pty Ltd to expand the retail offer on the IGA site.

8. I, Rhys Matthew Quick, hereby adopt this Expert Witness report as my evidence and state as follows:

- the factual matters stated in this report are, as far as I know, true;
- I have made all the inquiries 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;
- the opinions stated in this statement of evidence are genuinely held by me;
- the statement of evidence contains reference to all matters that I consider significant; and
- I understand the expert's duty to the Panel and have complied with that duty.

Rhys Quick
Director, Property Economics & Research
Urbis Pty Ltd

Signed:



Dated: 17 July 2017

SUMMARY OF OPINIONS

9. The following points represent the summary of my opinions in this matter:

- The proposed retail facilities on the Lascorp site present as a **logical and beneficial development outcome**, delivering convenience-based retail (including a full-line supermarket and supporting specialty shops) and community facilities to service the Shepparton North area and surrounds.
- The subject site affords retailers with a **high level of exposure and access** to Numurkah Road (Goulburn Valley Highway), and the east-west Ford Road. Access is also provided from Doody Street.
- Shepparton North is one of the **key urban growth areas** accommodating the growing population of Greater Shepparton. With this growth comes a need for expanded retail facilities to service the area.
- The **existing Shepparton North retail offer**, comprised solely of a single Supa IGA supermarket, is **inconsistent with the centre's designation as a sub-regional commercial centre** within the City of Greater Shepparton's centres hierarchy.
- There is a **demonstrated need and demand** for a second supermarket and a wider range of other shop facilities in keeping with the designation of Shepparton North Activity Centre as a sub-regional centre within the Shepparton centres hierarchy. The current provision of supermarket space within the trade area defined for retail facilities in Shepparton North is just under 40% below the average provision for non-metropolitan Victoria.
- Delivery of the Lascorp development will result in a **modest and acceptable level of trading impact** on all other centres within the Shepparton centres hierarchy, including in particular the CBD. Importantly, the development **will not impact on the role played by any other centre** and ultimately, **the quality and range of goods and services** available to the community will be enhanced.
- **Other economic benefits** attributable to the development are significant including greater choice and convenience in retail facilities for residents, enhanced competition between major traders in Shepparton North, and increased employment.
- In an economic sense, the **difference in the benefit** derived from consolidating retail development on a single site rather than developing two nodes is on balance **immaterial**. However, I believe the **likelihood of development of a second full-line supermarket on the IGA site as now proposed is low**. The uncertainty of this development reduces the weight that can be attributed to any perceived benefits the IGA development might present. There is **no benefit if the IGA development does not proceed**.

SOURCES OF INFORMATION

10. This report draws on a variety of information and sources provided to this office, the most important of which are:
- Estimated Resident Population (ERP) figures as published by the Australian Bureau of Statistics (ABS).
 - Statistical information provided by the ABS, including the 2001, 2006, 2011 and 2016 Censuses of Population and Housing.
 - Department of Environment, Land, Water and Planning, Victoria in the Future 2016.
 - Small area population forecasts prepared by .id.
 - Market Data Systems, MarketInfo 2012 (retail spending per capita estimates by SA1).
 - REMPLAN economic modelling data.
 - City of Greater Shepparton Commercial Activity Centres Strategy, Essential Economics, November 2015.
 - City of Greater Shepparton Planning Permit Amendment Application No. 2008/436B, 18 Pty Ltd, 12 May 2017.
 - City of Greater Shepparton Planning Permit Application No. 2017-177, 18 Pty Ltd, 6 June 2017.
 - Various submissions to Amendments C192 and C193 to the City of Greater Shepparton Planning Scheme.

ABBREVIATIONS

ABS	Australian Bureau of Statistics
CAGR	Compound Annual Growth Rate
CBD	Central Business District
DELWP	Department of Environment Land, Water and Planning
DDS	Discount Department Store
ERP	Estimated Resident Population
F&G	Food and Grocery
GST	Goods and Services Tax
GVA	Gross Value Added
HES	Household Expenditure Survey
LGA	Local Government Area
NDA	New Dwelling Approval
SA1	Statistical Area 1
SA2	Statistical Area 2
SAFi	Small Area Forecast information
SD	Statistical Division
VIF	Victoria In Future

1. CONTEXT TO AMENDMENTS

11. This section provides context to the two amendments under consideration, including details of the Shepparton North proposals.

1.1. AMENDMENT C192

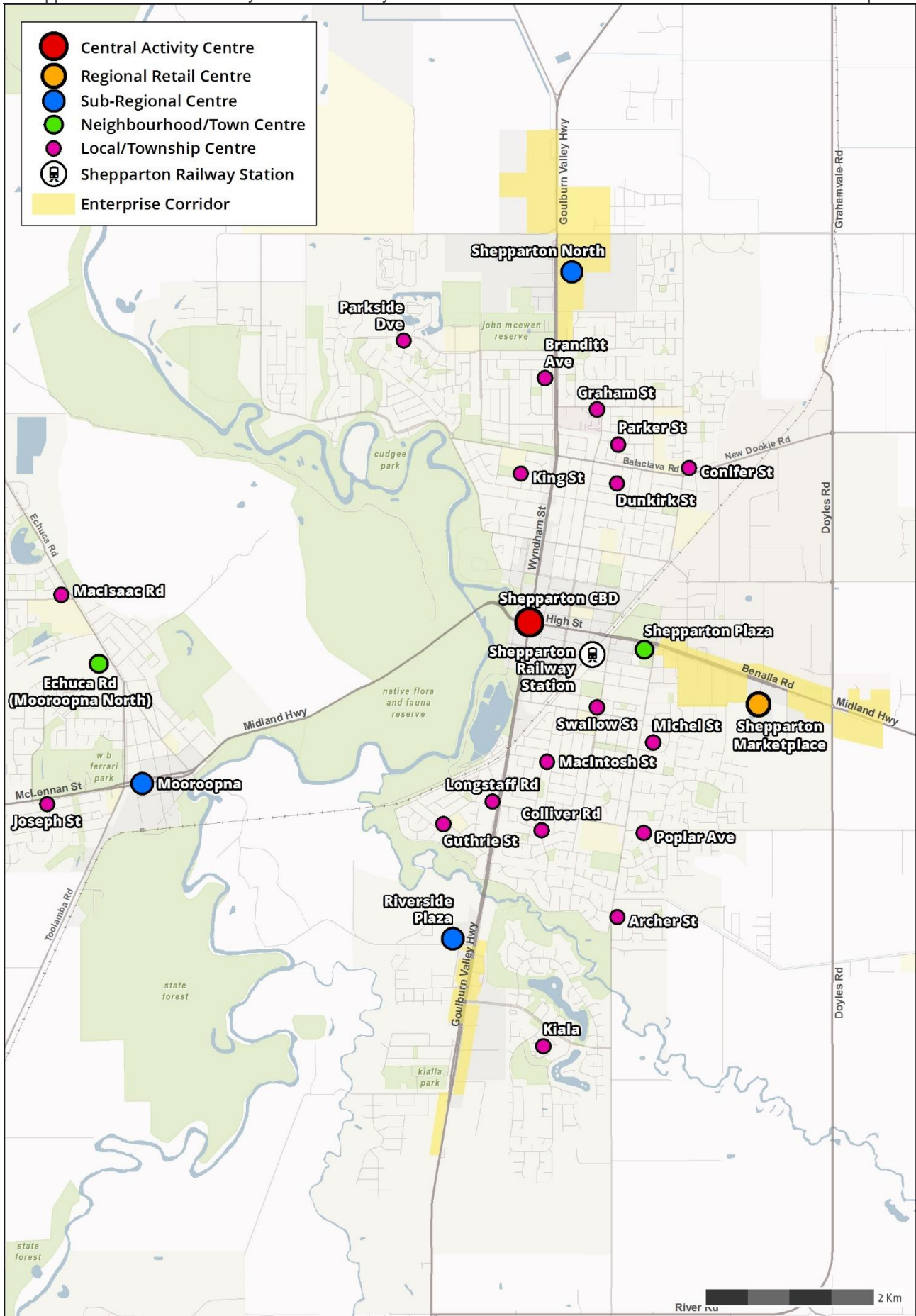
12. Amendment C192 amends the *Municipal Strategic Statement* (MSS) and introduces *Activity Centre Zone* documents to implement the outcomes of the *Commercial Activity Centres Strategy* undertaken by Essential Economics in November 2015 (the Strategy).
13. The amendment seeks to update Greater Shepparton's Municipal Strategic Statement and Activity Centre Zone to implement the Strategy. It seeks to protect the primacy of the Shepparton CBD as the central retail and commercial hub for the region, through an articulated retail strategy of supporting centres, defining their function and role.
14. Amendment C192 broadly supports the hierarchy of centres as established in the Commercial Activity Centres Strategy to comprise:
- **Central Activities District:** the Shepparton CBD and associated retail and commercial. Designed to provide higher-order, discretionary retail and services to residents across the greater region.
 - **Regional Retail Centre:** Shepparton Marketplace, located around 2km east of the CBD. Designed to provide higher-order discretionary goods and services to residents although not to the same extent as the CBD.
 - **Sub-Regional Centres:** Includes Riverside, Mooroopna CBD and Shepparton North. These centres serve an immediate residential catchment as well as a broader rural and regional hinterland that is highly accessible via regional road networks. The scale and nature of retailing in these centres is not intended to directly compete with the higher-order retail role served by the Shepparton CBD and Marketplace, although they do provide the convenience and occasional discretionary needs of residents.
 - **Neighbourhood Centre or Town Centres:** Includes Echuca Road, Rowe Street East (Shepparton Plaza) and Tatura. These centres primarily provide the localised convenience, grocery and services needs of residents.
 - **Local Centre of Township Centres:** Includes a number (29) of smaller local centres designed to provide the convenience needs of residents.
 - **Enterprise Corridor:** Includes Benalla Road, Gateway North (Numurkah Road) and Gateway South (Melbourne Road). These are mixed business areas including a range of homemaker retail, showrooms and other commercial businesses relying on passing traffic in these highway locations.
15. The distribution of these various components of the retail hierarchy within the urban areas of Shepparton is illustrated in Map 1.1.
16. It is noted in the Strategy that Shepparton North, although designated as sub-regional centre, currently serves a more limited role dominated by the single use (Fairley's IGA) and lacks diversity of retail and commercial uses. A shop floorspace cap of 8,000 sq.m applies in the Planning Scheme to ensure any development is consistent with its role in the hierarchy.

17. With reference to Shepparton North, the Strategy highlights the following key features and issues:

- **Potential Expansion** – the opportunity exists for the Shepparton North activity centre to expand within the existing planning framework for the centre that includes a shop floorspace cap of 8,000m² and significant land in the Commercial 1 Zone that is currently vacant. This opportunity for expansion has not been realised.
- **Growing Demand** – the northern parts of the Shepparton urban area continue to experience population growth, and this is expected to continue for the foreseeable future. Development of the north-east growth area that has been identified by Greater Shepparton and is located a short distance to the east will further increase demand for additional facilities required to meet the needs of this expanding population.
- **Mix of Uses** – at present, the limited mix of uses in the Shepparton North activity centre is not consistent with the expectations of both planning policy and the general community.
- **Future Role** – as the Shepparton North centre expands to meet the needs of surrounding residents and a large regional hinterland, an enhanced role for the activity centre hierarchy as a sub-regional centre is anticipated. For this to occur, the centre must contain a broader range of retail and commercial functions consistent with this definition within the hierarchy.
- **Centre Layout** – Although at present the Shepparton North activity centre is dominated by the Fairleys IGA site, it is appropriate that opportunities for further expansion are considered. This could represent an extension of the existing Commercial 1 Zoned land or, if required, a new area within the Commercial 1 Zone located elsewhere in that part of the Shepparton North Gateway between Ford Road and Hawkins Street in which a range of commercial uses are currently concentrated.”

Greater Shepparton Commercial Activity Centres Strategy, Pgs 41-42

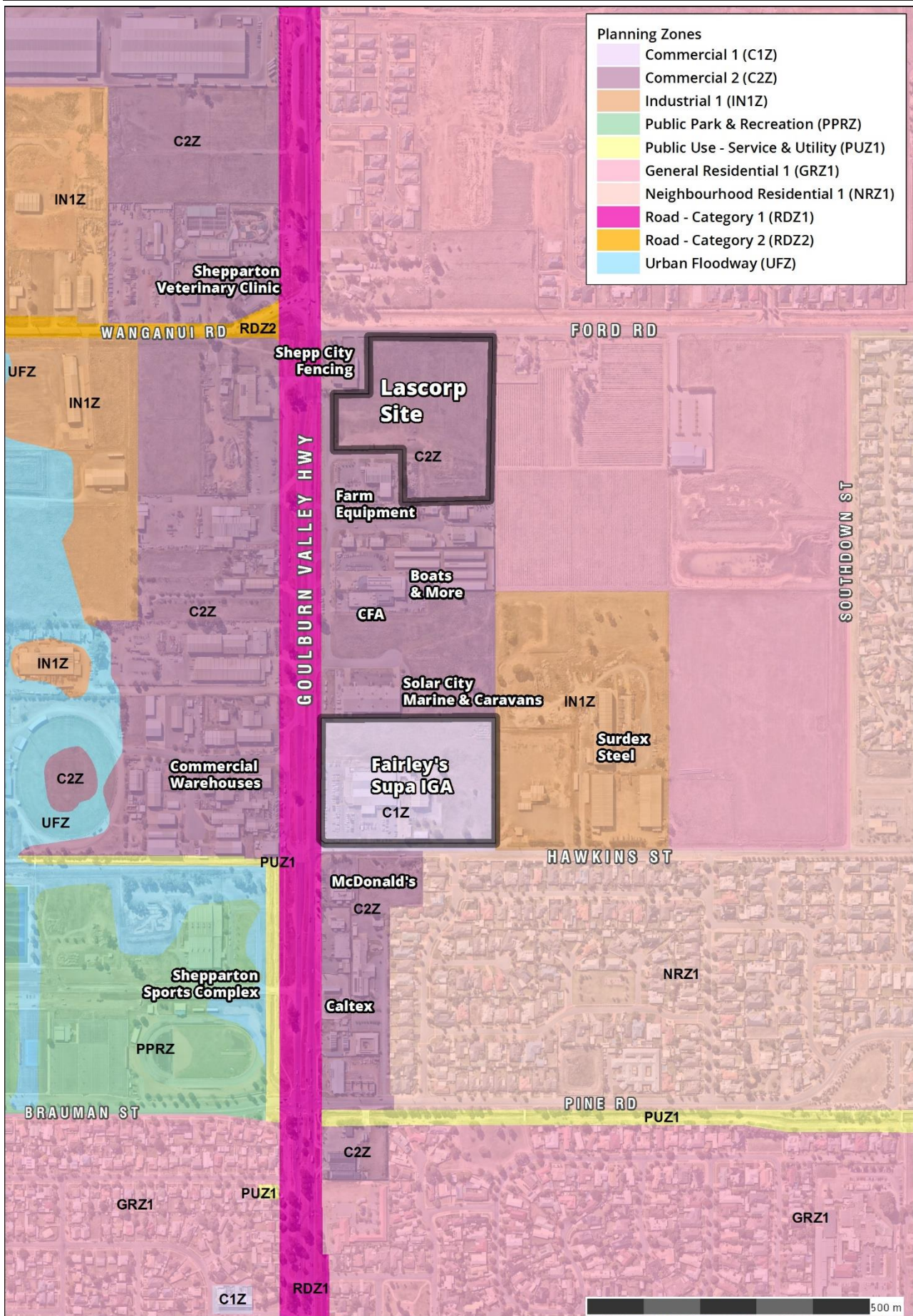
18. As indicated by this last point, the Strategy has identified the need to expand the Shepparton North centre and indicated that an increase of 6,000 sq.m of shop floorspace could indicatively be supported outside of the existing Commercial 1 zone sufficient to support a second full-line supermarket and associated specialty shops. The potential expansion of the Commercial 1 zone has been flagged somewhere in the area between Ford Road and Hawkins Street, an area that is illustrated in Map 1.2 later in this section.



1.2. SHEPPARTON NORTH CONTEXT

19. The Shepparton North centre outlined in the Commercial Activity Centres Strategy is approximately 3 km north of the core of the Shepparton CBD.
20. Map 1.2 outlines the extent of the Shepparton North Activity Centre, as designated in the Strategy, as well as the key sites and uses within the centre.
21. I note:
 - The existing retail offer is largely restricted to the Fairley's Supa IGA of around 4,000 sq.m at the corner of Numurkah Road and Hawkins Street.
 - South of Hawkins Street on the eastern side of Numurkah Road is some mixed highway retailing including McDonalds, other fast food operators, petrol stations and new building under construction near the corner of Pine Road to include Chemist Warehouse.
 - Forming part of the Gateway North enterprise corridor identified in the Strategy, both sides of Numurkah Road has been developed to offer a range of agricultural supplies and machinery; car, caravan and boat dealerships; and other commercial businesses.
 - Areas to the north and east of the Shepparton North Activity Centre are designated for future residential development.
22. Land at 221-229 Numurkah Road and 10 Ford Road is currently a vacant site located within the area designated in the Strategy as a potential location for expansion of the Commercial 1 zone. As discussed below, this site is the subject of Amendment C193. Map 1.3 below shows the extent of both the Commercial 1 and 2 zoned land.





1.3. AMENDMENT C193

23. Amendment C193 proposes to:
- Rezone land on 221-229 Numurkah Road and 10 Ford Road (hereafter referred to as the 'subject site' or 'Lascorp site') from their current Commercial 2 Zone to the proposed Commercial 1 Zone;
 - Apply the Public Acquisition Overlay to part of 221-229 Numurkah Road, part of 38-50 Ford Road and part of 25 Hawkins Road.
24. The subject land is illustrated above on Map 1.2.
25. The amendment was derived from the recommendations of the *Commercial Activity Centres Strategy November 2015* in relation to Shepparton North, with the purpose of rezoning the identified land in order to accommodate the development of a supermarket and associated ancillary retail floorspace.
26. If rezoned, Lascorp proposes to develop neighbourhood shopping centre uses consistent with Shepparton North's role as a sub-regional centre, including a supermarket, specialty shops and community facilities. Development on the subject site, illustrated in Map 1.3, is proposed to comprise the following:
- A 3,960 sq.m supermarket with integrated space for the provision of alcohol sales;
 - 2,030 sq.m of retail specialty shops (including a 260 sq.m chemist);
 - A 300 sq.m medical centre;
 - A 100 sq.m community centre
27. In total, the development comprises **5,990 sq.m** of retail gross leasable area (GLA). Allowance has been made for the provision of around 446 car spaces.
28. The intended tenant for the supermarket is Woolworths. They have signed an Agreement For Lease document in relation to the site.
29. The economic impact of the above development is the focus of the remainder of this report.

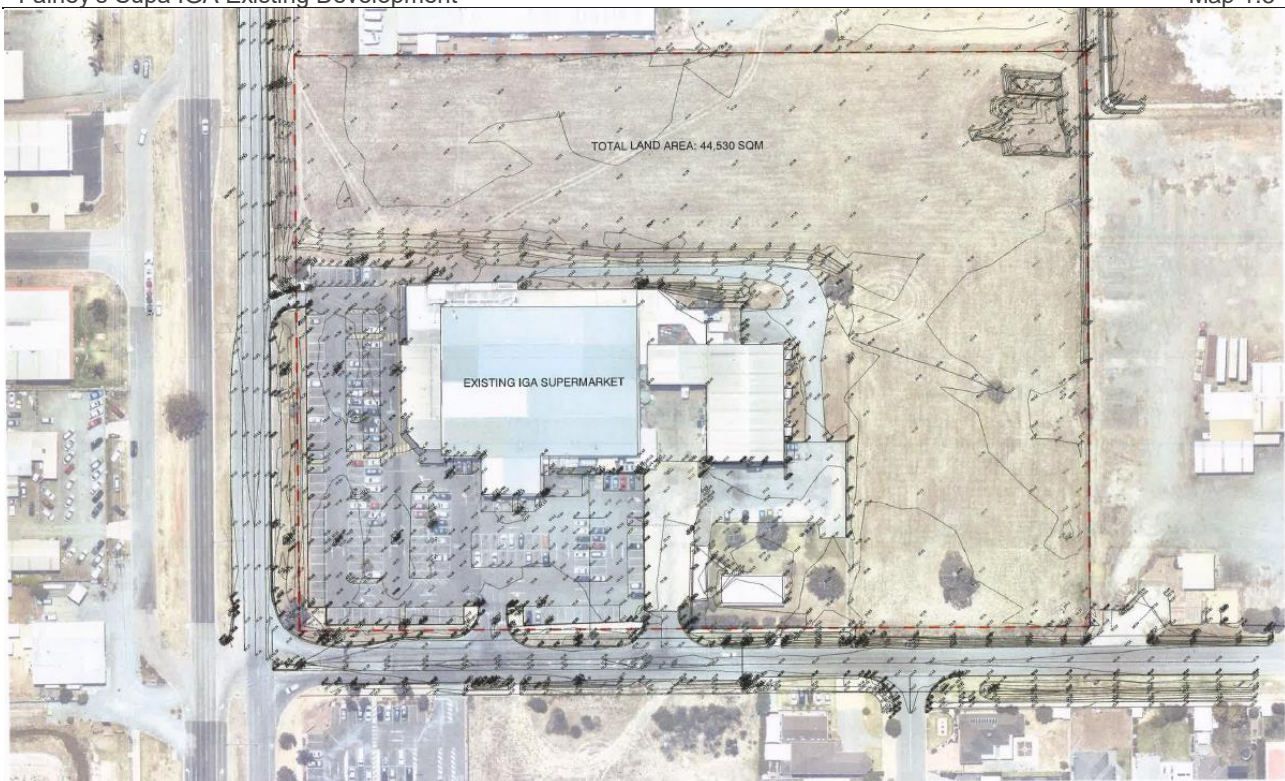


1.4. THE IGA APPLICATIONS

30. In the context of the recommendation to expand the Shepparton North centre in the Commercial Activity Centres Strategy and subsequent amendment preparations, much consideration has been given to the potential for expansion on or around the existing site of the Fairley's Supa IGA (the 'IGA site').
31. The existing Fairley's Supa IGA is currently just under 4,000 sq.m in size, located at the corner of Hawkins Street and Goulburn Valley Highway / Numurkah Road, outlined in Map 1.4. As the only full-line supermarket, or indeed sizeable retail offer of any kind, in the northern part of Shepparton, the store currently serves a wide area covering the northern Shepparton suburban area and rural areas for some distance to the north of Shepparton.
32. The supermarket is understood to be one of the best performing IGA supermarkets in the state. This is a result of the quality of the store's offer and the lack of competitive operators to the north of Shepparton.

Fairley's Supa IGA Existing Development

Map 1.5



Source: 18 Pty Ltd Planning Permit Application

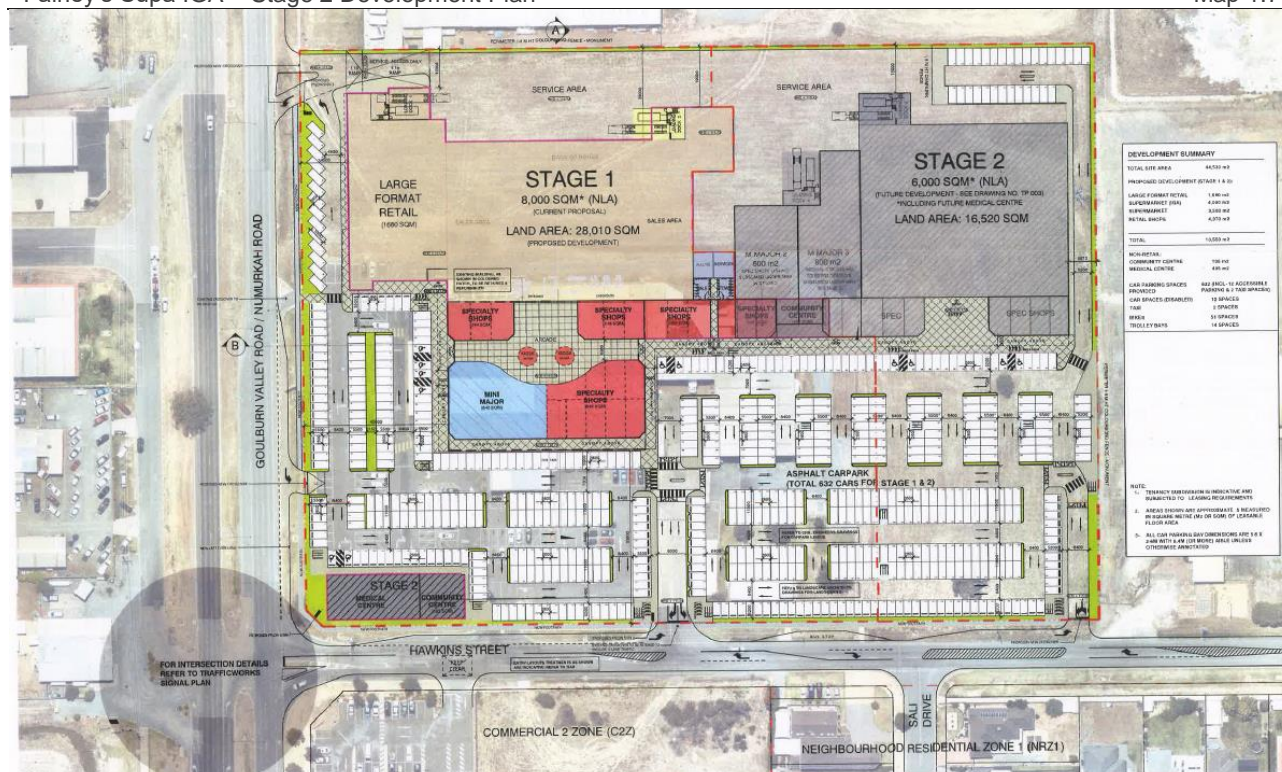
33. I understand that in 2012, a permit was granted that would have allowed for the development of up to 8,000 sq.m (in total) of retail GLA on the IGA site, incorporating the surrounding vacant land to the north and east of the supermarket. However, no development proceeded over the last five years. Plans were endorsed under the existing permit in January 2017 showing development stages wrapping around the vacant land surrounding the existing IGA. This period for commencement under the permit was extended for one year until April 2018.
34. I understand an application has now been lodged by the prospective owners of the site, 18 Pty Ltd, to amend the previous permit to allow for the expansion of shop uses up to the 8,000 sq.m cap that is applicable on the site with a revised plan. Based on the permit amendment application dated 12 May 2017, expansion of the centre has been proposed for what has subsequently been referred to as Stage 1. As discussed further below, Stage 1 would involve reorientation of the IGA and the addition of some mini majors and specialty shops.

1.4.2. Stage 2 Expansion

40. The second stage of development proposed in the second application comprises:
- The addition of a 3,500 sq.m supermarket on the eastern end of the site;
 - Two mini-majors of 600 sq.m and 800 sq.m respectively;
 - Nine (9) specialty shops comprising a total of 650 sq.m;
 - A 405 sq.m medical centre, co-located with a community centre.
41. In total, Stage 2 will add an additional 5,550 sq.m of retail GLA to the proposed Stage 1 development taking the total retail GLA on the site to **13,550 sq.m**.
42. I note the location of the proposed second supermarket on the eastern end of the site would appear not to be the optimal position for a supermarket. It would lack the exposure to the highway afforded the Stage 1 development (which would obscure views of the second supermarket) and also setback some way from the east-west Hawkins Street. The supermarket is also proposed to be 500 sq.m smaller than the IGA.

Fairley's Supa IGA – Stage 2 Development Plan

Map 1.7



43. Neither stage of development on the IGA site has been approved by Council. When considering the trading impacts from the Lascorp development in subsequent sections, I assume that Stage 1 proceeds as it is broadly consistent with the existing permit for a total of 8,000 sq.m of shop floorspace on site. However, I do not allow for Stage 2 as it is not an approved development, and as discussed shortly, I do not believe the Lascorp development and Stage 2 on the IGA site can both proceed together in the foreseeable future.

2. MARKET SIZE AND GROWTH

44. This section considers the size and growth of the market of relevance to retail development in Shepparton North.

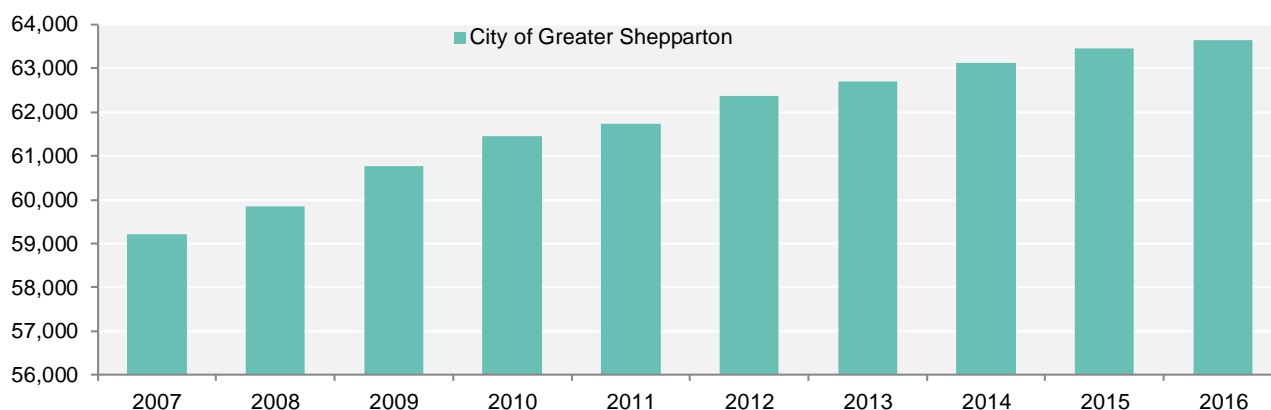
2.1. POPULATION GROWTH CONTEXT

45. Chart 2.1 outlines the steady population growth across the City of Greater Shepparton over recent years. Since 2011, the City's population has grown by almost 2,000 people at a rate of 1.4% per annum.

City of Greater Shepparton

Population Growth 2007-2016

Chart 2.1



Source: ABS; Forecast ID; Urbis

46. The northern corridor of Shepparton, particularly Shepparton North East which is the precinct the Shepparton North Activity Centre falls within, has been a key contributor to the broader growth of the municipality, as shown in Table 2.1 below. Shepparton North East has been, and will continue to be, a major contributor to the growth of Shepparton.

City of Greater Shepparton and Shepparton North East

Population Growth 2011-2016

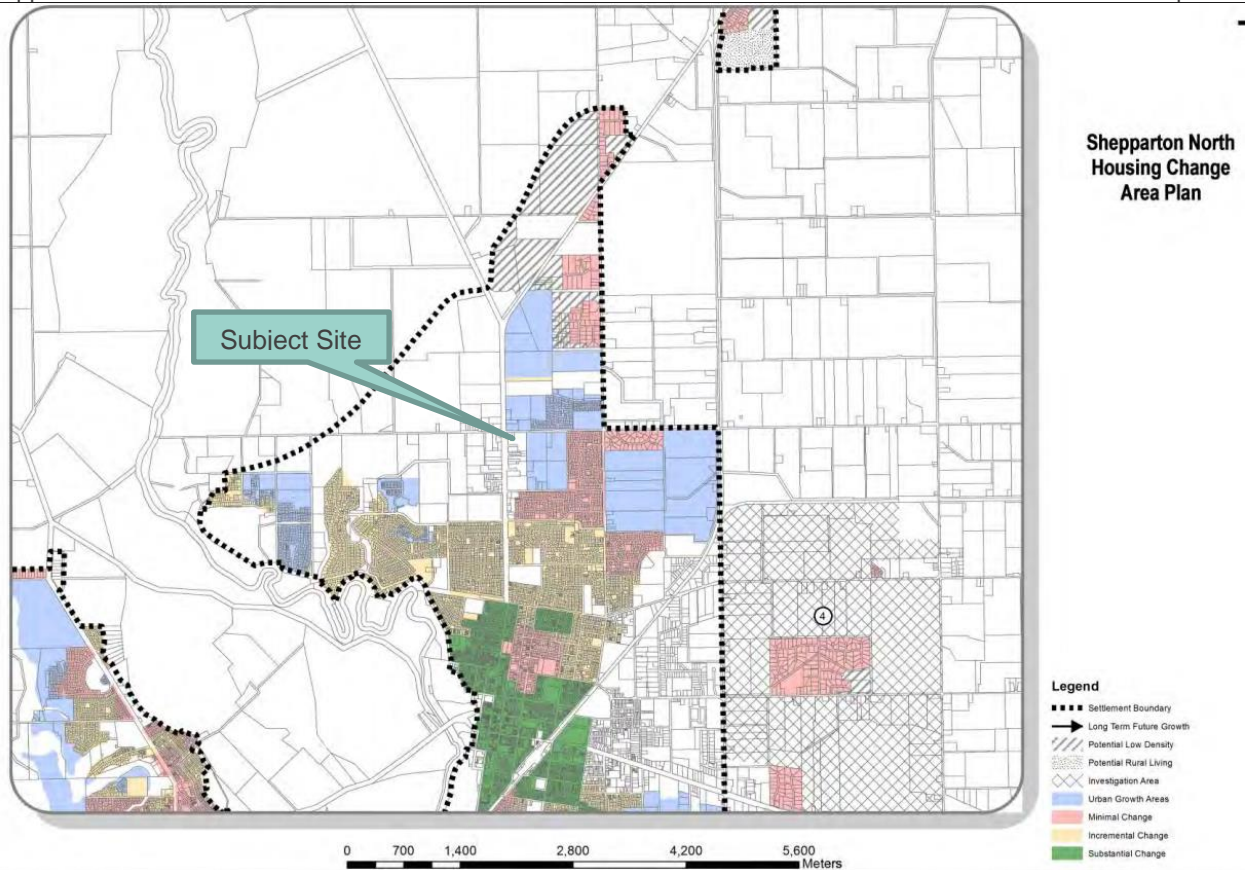
Table 2.1

Area	Population 2011	Population 2016	Growth 2011-16
City of Greater Shepparton	61,744	63,652	0.6% p.a.
Shepparton North East	4,535	4,764	1.0% p.a.
Shepparton NE as a % of Greater Shepparton	7.3%	7.5%	12.0%*

Source: .id, August 2015, prepared for City of Greater Shepparton

* Refers to the proportion of City of Greater Shepparton's growth captured by Shepparton North East

47. The strong growth in proximity to Shepparton North is anticipated to continue. The Shepparton North East area, the area east of Numurkah Road extending north from Hawkins Street within which the activity centre is located, is the focus for urban growth in the municipality. This is illustrated by the Shepparton North Housing Change Area Plan produced by the Council as part of their 2011 Housing Strategy, reproduced here as Map 2.1. The urban growth areas are shown in blue.



Source: .id, August 2015.

48. As shown in Table 2.2, Shepparton North's population is expected to almost double over the next 20 years, growing at an average of 3.2% per annum. Consequently, the area will provide for almost a quarter of all population growth in Greater Shepparton. I note that the .id forecasts have not been updated since the release of 2016 Census information. Hence, the absolute forecast numbers may change when these forecasts are next reviewed, however the relative proportional growth of Shepparton North relative to Greater Shepparton is instructive.

City of Greater Shepparton and Shepparton North East

Population Growth 2016-2036

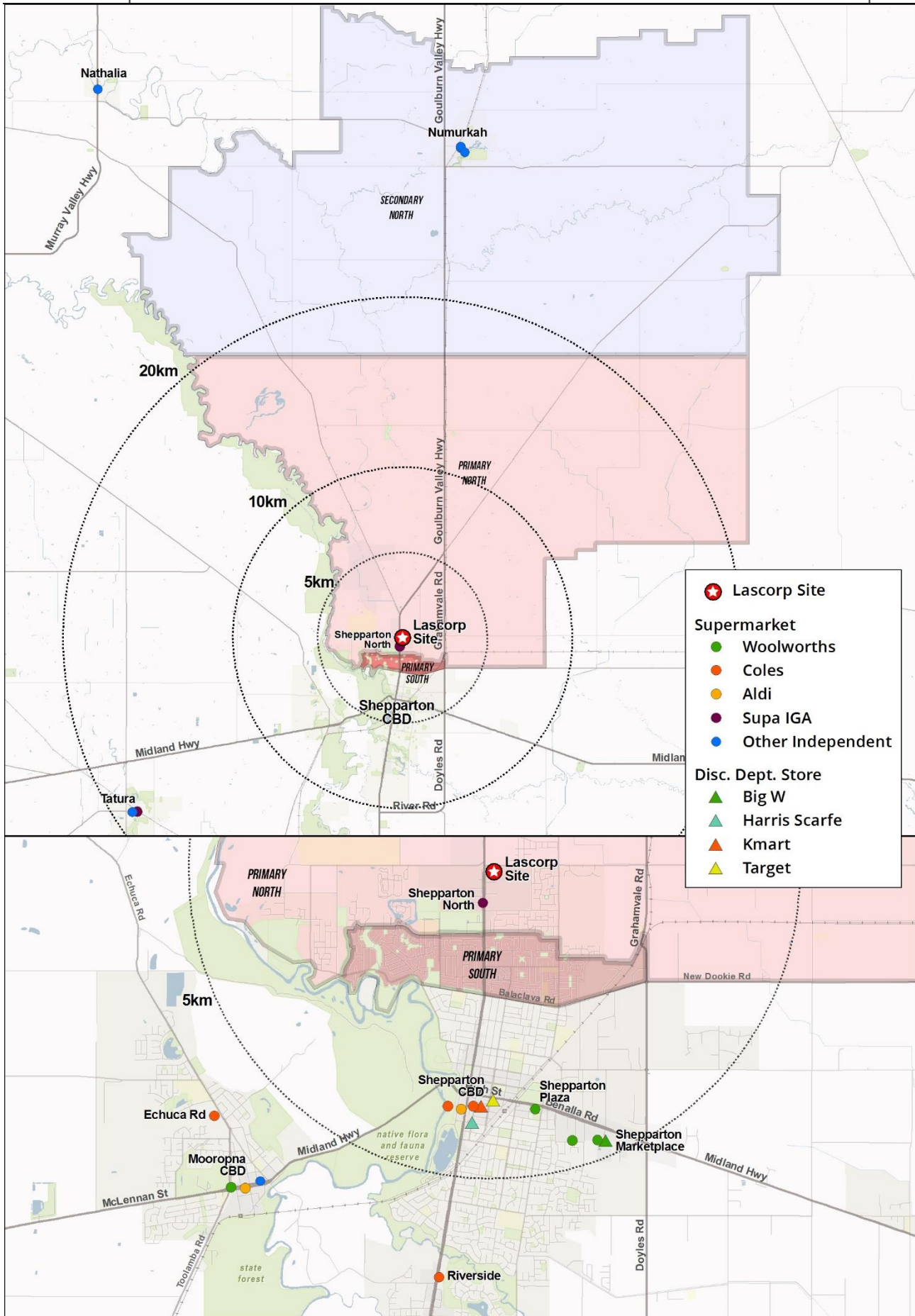
Table 2.2

Area	Growth 2016-36 (no.)	Growth 2016-36 (%)
City of Greater Shepparton	17,560	1.2% p.a.
Shepparton North East	4,482	3.2% p.a.
Shepparton NE as a % of Greater Shepparton	25.5%	

Source: .id, August 2015, prepared for City of Greater Shepparton

2.2. SHEPPARTON NORTH TRADE AREA DEFINITION

49. The definition of a trade area for a retail development is based on a range of factors including the strength, range and appeal of shops/services provided in the subject development, the location, quality and relative offer of competing centres/precincts, road and public transport accessibility, and physical and geographical barriers.
50. I have considered the likely trade area for the subject Lascorp development in Shepparton North, taking into account the draw of Shepparton North with two full-line supermarkets, as well as the locational and market factors described above.
51. The key factors influencing the definition of this trade area include:
- The proximity of Shepparton North to other significant retail locations to the south, including the CBD. Therefore, the trade area extends to around the half way mark between Shepparton North and the CBD.
 - There are limited retail locations to the north, with the exception of a town centre in Numurkah, around 30km away. There are no full-line supermarkets in Numurkah or elsewhere in the trade area defined, and as such, the Lascorp site will offer the first major supermarket as people drive south along the highway.
 - There is a distinction between how residents within the trade area will access the Lascorp and IGA sites respectively depending on whether they are travelling north or south along the highway. I have therefore defined two primary areas (north and south).
52. The trade area defined is illustrated in Map 2.2 and can be described as follows:
- **Primary North** – this area covers the existing and future residential areas of Shepparton North and extending around 17km north to Boundary Road along the Goulburn Valley Highway to take in rural areas where residents regularly travel to Shepparton for most shopping needs. Boundary Road is the northern extent of the City of Greater Shepparton. The sector extends to around 1km south of the Lascorp site to Pine Road. The western boundary of the sector is the Goulburn River.
 - **Primary South** – predominantly an established residential area, this area extends south from Pine Road to Balaclava Road, and from Kittles Road in the west to Grahamvale Road in the east. Residents of this area can travel south to the Shepparton CBD, but for convenience-based shopping trips, supermarkets in Shepparton North represent a convenient alternative.
 - **Secondary North** – extending north from the Primary North, the sector includes the township of Numurkah and surrounding rural areas. The northern extent of the sector is around 40km from the subject site. The secondary north is located entirely beyond the City of Greater Shepparton.
53. The primary and secondary sectors combined are hereby referred to as the **trade area**, or in some of the tables, the **main trade area**.



2.3. TRADE AREA RESIDENT POPULATION

54. The historical and forecast resident population in the trade area defined is outlined in Table 2.3. My population estimates are based on the following sources of information:
- The Australian Bureau of Statistics' (ABS) 2006, 2011 and 2016 Censuses of Population and Housing.
 - The latest Estimated Resident Population (ERP) figures to June 2017, released by the ABS. This latest data is provided at a Statistical Area 1 (SA1) geography level, thus providing an accurate estimate of resident population for the trade area and individual sectors (e.g. primary and secondary areas).
 - New Dwelling Approvals (NDA) data prepared by the ABS to June 2017. This data provides an indication of potential short term dwelling development activity and resident population growth.
 - State government forecasts for the City of Greater Shepparton referred to as Victoria in Future 2016.
 - Population forecasts prepared by .id Consulting at a small area level for the City of Greater Shepparton (SAFi).
 - A review and analysis of current and proposed residential developments in the trade area by Urbis.

Historical & Forecast Population

Subject Site Trade Area, 2012 – 2027

Table 2.3

	Population				Annual Growth (no.)			Annual Growth (%)		
	2012	2017	2022	2027	12-17	17-22	22-27	12-17	17-22	22-27
Primary:										
North	7,270	7,610	8,660	9,980	68	210	264	0.9%	2.6%	2.9%
South	<u>7,810</u>	<u>8,080</u>	<u>8,060</u>	<u>8,030</u>	<u>54</u>	<u>-4</u>	<u>-6</u>	<u>0.7%</u>	<u>0.0%</u>	<u>-0.1%</u>
Total Primary	15,080	15,690	16,720	18,010	122	206	258	0.8%	1.3%	1.5%
Secondary North	6,130	6,060	6,360	6,670	-14	60	62	-0.2%	1.0%	1.0%
Main Trade Area	21,220	21,750	23,080	24,680	106	266	320	0.5%	1.2%	1.3%

1. As at December 31

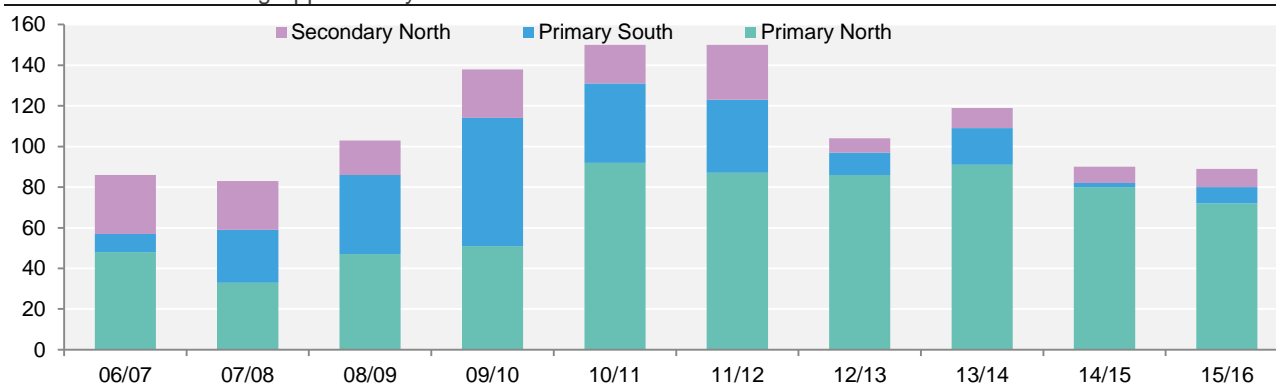
Source: ABS; Victoria In Future (VIF2016); Department of Environment, Land, Water and Planning (DELWP); SAFi; Urbis

55. There are a current estimated 21,750 residents across the trade area. The primary sectors comprise 15,690 (or 72%) of this amount.
56. In the five years to 2017, the trade area grew by a relatively flat 0.5% per annum. Growth was driven entirely by the primary trade area at 122 people or 0.8% per annum with the secondary north recording a decline during the same period. Growth was marginally faster in the primary north, growing at 0.9% per annum (or 68 people per year) compared to the primary south's 0.7% per annum (or 54 people per year).
57. Chart 2.2 outlines the distribution of new dwelling approval (NDA) activity across the trade area. The primary north, represented in green below, has seen most new residential dwelling activity for the last decade, with its proportion of activity increasing substantially during this time. In 2007, the sector comprised 56% of all NDAs in the trade area – by 2016 this had risen to 84%. There have been around 80-90 new dwellings approved annually in the primary north over the last 6 years.

New Dwelling Approvals

Historical New Dwelling Approvals by Trade Area Sector

Chart 2.2



Source: ABS; Urbis

58. Reflecting the large anticipated growth with land releases and residential estate development particularly to the north and east of the subject site, population forecasts suggest that over the next five years approximately 266 residents will be added to the trade area per annum – importantly, almost all this growth is expected to occur in the primary north, with 206 residents or 1.3% per annum.
59. Through to 2027, the trade area population is expected to reach 24,680 people, with the primary trade area comprising 18,010 or 73% of this amount. The primary north is expected to see the fastest relative growth during the forecast period, with a current proportion of 35% of the total trade area population rising to 40% by 2027. Growth is forecast to average 2.9% per annum in the primary north sector during this period.
60. I note the results of the 2016 Census, which were released on the 12th July 2017, corroborate the growth profile outlined in Table 2.3.

2.4. SOCIO-ECONOMIC PROFILE OF TRADE AREA RESIDENTS

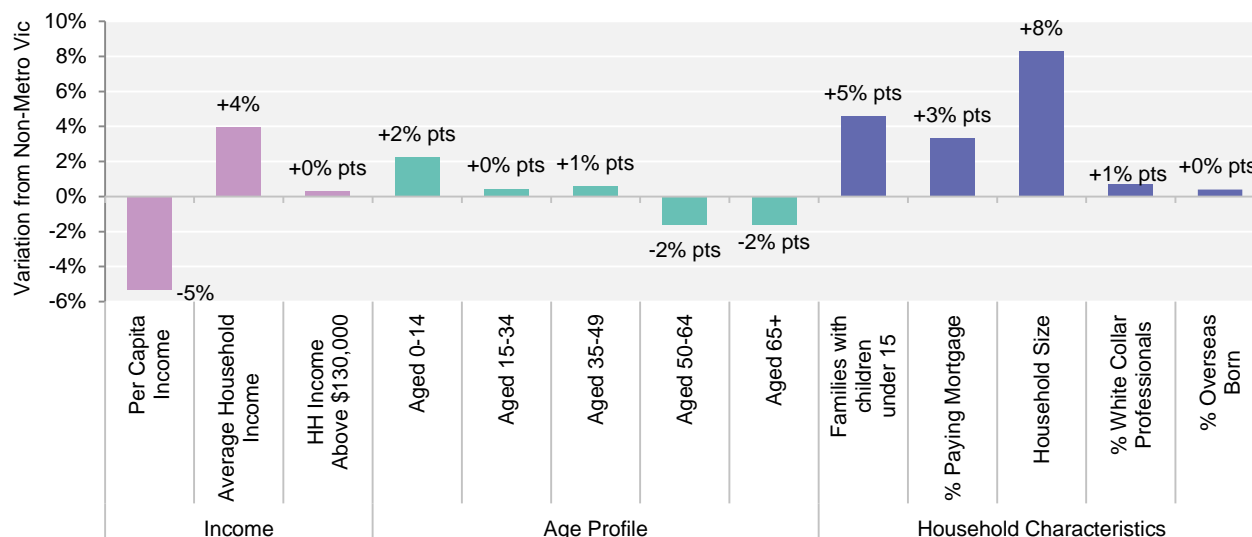
61. The socio-economic profile of trade area residents is based on the results of the 2011 Census of Population and Housing. At the time of writing, I was not able to access small area data to enable a trade area level view of demographics based on the 2016 Census. Chart 2.1 provides a summary of the key characteristics for the trade area as a whole, whilst **Appendix A** contains detailed summary demographic information (Table A.1 and Table A.2). I note:
- The trade area has a relatively young population relative to the non-metropolitan Victorian benchmark. Residents aged 50 and above are a smaller proportion of the overall population whilst those aged less than 15 form a larger than average component. The primary north in particular is home to young families, with an average age of 35.4 years compared to the non-metropolitan Victorian average of 40.1 years.
 - Household sizes are some way above the average. The average household size in the trade area records 2.6 people – some 8% above the benchmark of 2.4. This disparity is more pronounced in the primary sector, which records a household size of 2.7. It is important to note that the incoming residential developments to the north of the subject site are likely to comprise households with larger household sizes still, reflecting the typical profile of incoming younger families. The average household size in the primary north is 2.9.
 - While per capita income levels are below average across the trade area, the high average household size results in above average household incomes. In the primary north, per capita income levels are in fact 6% above average, with household incomes on average 32% above average.
 - Families (with dependent children) account for 30% of households – some four percentage points higher than the non-metropolitan Victorian average.

- At 38%, the proportion of households with a mortgage is high (non-metropolitan Victorian average is 34%), reflecting the new homes being developed in the area.
- Around 12% of the population was born overseas, marginally higher than the non-metropolitan Victorian average of 11%, but substantially below the Victorian average of 28%.

Key Demographic Characteristics

Trade Area Variation from Non-Metropolitan VIC Average

Chart 2.3



Source: ABS; Urbis

2.5. TRADE AREA RESIDENT RETAIL SPEND MARKET

62. The retail spending market has been estimated using *MarketInfo*, a micro-simulation model developed by MDS Market Data Systems Pty Ltd. This model is based on information from the ABS' Household Expenditure Survey (HES), the Census of Population and Housing (2011) and other information sources that provide up-to-date information on changes in spending behaviour and/or income levels (e.g. Australian National Accounts, Australian Taxation Statistics, etc.). *MarketInfo* is used widely by stakeholders in the retail industry and by other consultants preparing Retail Sustainability Assessments / Economic Impact Assessments.
63. The model uses micro-simulation techniques to combine propensity to spend on particular commodities with the socio-economic characteristics of individuals to derive spending per capita estimates on a small area basis (i.e. the Statistical Area One level).
64. The retail expenditure estimates throughout this report include the component of turnover attributable to the goods and services tax (GST). All values are expressed in financial years in constant 2017 dollar terms (i.e. inflation is not included).

2.5.1. Retail Spend Per Capita

65. Table 2.4 outlines the income and retail spending per capita levels across trade area residents and their relativity to the non-metropolitan Victorian average. Key points:
 - Income and retail spending by trade area residents are below the average for non-metropolitan Victoria. Residents of the trade area have incomes approximately 5% below that of Victoria, with a resultant retail spending averaging 5% below.
 - Income levels within the primary north sector are above average, with per capita spending levels only marginally below average for non-metropolitan Victoria.

- Residents of the primary south and secondary north have per capita incomes that are below the non-metropolitan Victorian average, with per capita spending levels also as a result below average.

Retail Expenditure

Trade Area Residents, Food & Non-Food, 2017

Table 2.4

		Per Capita Variation from Average		Retail Spend Per Capita (\$)			Retail Spending Market (\$M)		
	Population	Income Spending		Food	Non-Food	Total	Food	Non-Food	Total
Primary:									
North	7,600	+6%	-1%	7,625	5,612	13,237	58	42	100
South	<u>8,100</u>	<u>-10%</u>	<u>-13%</u>	<u>7,293</u>	<u>4,876</u>	<u>11,669</u>	<u>59</u>	<u>39</u>	<u>98</u>
Total Primary	15,600	-2%	-9%	7,454	5,232	12,151	117	82	198
Secondary North	6,050	-13%	-5%	7,633	5,089	12,722	46	31	77
Main Trade Area	21,690	-5%	-5%	7,504	5,192	12,696	163	113	275
<i>Non-Metro Vic</i>				7,812	5,614	13,426			

Source: ABS; Marketinfo ; Urbis

2.5.2. Total Retail Spending Market

66. Table 2.5 outlines the current and forecast retail expenditure across the trade area by product group. The forecast growth in retail expenditure by trade area residents incorporates the following:
- Forecast population growth as outlined in Section 2.3 of this report (i.e. 1.3% per annum to 2027);
 - Retail spending per capita growth, averaging 1.8% per annum between 2017 and 2027 and 1.9% per annum between 2022 and 2027. The lower initial growth in the first five years allows for a relatively soft economic environment currently, with an expectation that a normalised growth rate will return thereon.
67. Multiplying the per capita spending estimates by population forecasts, the current total retail expenditure across the trade area is estimated at \$275 million, of which \$198 million (or 72%) is derived from residents in the primary trade area. By 2022, it is expected that total retail expenditure will grow to \$316 million, representing per annum growth of 2.8%. By 2027, total retail expenditure across trade area residents is expected to reach \$371 million. This represents growth of 3.3% per annum between 2022 and 2027.
68. Reflecting the stronger population growth, the primary north sector will see the largest increases in retail spending overtime, with average annual growth of 4.2% and 4.7% between 2017-2022 and 2022-2027 respectively.
69. In Food Retail (including fresh food, liquor and groceries), the category of most relevance to supermarkets, trade area spending is forecast to grow from \$129 million currently to \$166 million in 2027.

Projected Retail Expenditure

Trade Area Residents, 2017 – 2027 (\$2017, financial years, incl. GST)

Table 2.5

	Food Retail	Food Catering	Apparel	Home- wares	Bulky Goods	Leisure/ General	Retail Services	Total Retail	<i>Annual Growth</i>	=	<i>Pop Growth</i>	+ <i>Per Cap Spend Growth</i>
Primary North:												
2017	45	13	9	7	12	11	3	100				
2022	54	16	12	9	14	13	4	123	4.2%		2.5%	1.6%
2027	66	20	14	13	18	17	6	155	4.7%		2.8%	1.9%
Primary South:												
2017	47	12	9	7	10	11	3	98				
2022	50	13	10	8	11	12	4	106	1.6%		0.0%	1.6%
2027	53	15	10	9	12	13	4	116	1.8%		-0.1%	1.9%
Secondary North:												
2017	37	9	6	5	8	8	3	77				
2022	41	11	7	6	10	9	3	87	2.5%		0.9%	1.6%
2027	46	12	8	8	11	11	4	100	2.8%		1.0%	1.9%
Main Trade Area:												
2017	129	33	25	19	30	30	10	275				
2022	144	40	29	23	35	34	11	316	2.8%		1.1%	1.7%
2027	166	47	33	29	41	41	14	371	3.3%		1.3%	1.9%

Source: MarketInfo; Urbis

70. In addition to the spending generated by residents of the trade area, it is important to note that the likely retail spending available to Shepparton North retailers is potentially larger than just the spending of trade area residents. With a highway location, there will be an opportunity to capture trade from passing traffic where those people live beyond the trade area.

3. SHEPPARTON RETAIL HIERARCHY

71. This section outlines the current and future retail competition of relevance to the proposed development.

3.1. EXISTING AND PROPOSED RETAIL HIERARCHY

72. Table 3.1 outlines the existing retail hierarchy of relevance across the trade area and immediately beyond it. The retail floorspace referenced in Table 3.1 refers to that outlined by Essential Economics in their *Commercial Activity Centres Strategy November 2015* report. I describe here the retail components rather than the broader commercial and community role played by these centres. I note:
- Existing major retail facilities in Shepparton North are limited to the existing Fairley's Supa IGA, located approximately 500 metres to the south of the subject site.
 - Although beyond the boundary of the City of Greater Shepparton, the town of Numurkah is located within the secondary north sector of the trade area. I estimate the retail floorspace to be in the order of 5,500 sq.m in Numurkah, with major retailers including an IGA of around 1,200 sq.m and a Foodworks supermarket of approximately 550 sq.m.
 - The Shepparton CBD is, unsurprisingly, the primary retail destination of relevance to the trade area, and indeed the broader region. The CBD provides discount department store operators (Kmart and Target), supermarkets (Coles, Aldi) and a broad range of specialty shops and other commercial businesses.
 - As detailed in the Activity Centres Strategy, the CBD is supported by a range of regional and sub-regional centres. Shepparton Marketplace as the sole Regional Retail Centre is thought to be one of the strongest performing retail centres in Shepparton on a per sq.m basis.
 - With the exception of the Fairley's IGA proposal, there are no known approved retail developments of relevance to the Lascorp development.
73. In addition to the more primary centre designations shown in Table 3.1, there are approximately 29 further local centres comprising an additional 6,980 sq.m of retail floorspace – primarily convenience grocery type floorspace. The activity centres identified above are outlined in greater detail in the following sub-sections.

3.1.1. Central Activities District – Shepparton CBD

74. The **Shepparton CBD** is the highest order retail offer servicing the Greater Shepparton region. Bounded by the Shepparton railway in the east and the Goulburn River in the west, it is centrally located within urban Shepparton, easily accessible to the surrounding regional transport networks including the Goulburn Valley Highway, the Midland Highway and other regional connections such as the Mooroopna-Echuca Road, Shepparton-Barmah Road, New Dookie Road, etc.
75. The CBD currently has a total retail floorspace of around 85,300 sq.m. Key tenants include Coles, Aldi, Target, Kmart and Harris Scarfe, along with other national chains such as JB HiFi, Dimmeys and First Choice Liquor. My observation of the level of activity and presentation of retailers suggests that the CBD is in general trading at relatively typical levels for a centre of this nature.
76. Although, according to Greater Shepparton Commercial Activity Centres Strategy, the CBD had around 11% of its total retail floorspace vacant in 2014, much of this vacant space is located along the CBD fringe locations where retail critical mass is lacking or in secondary locations. Centrally located retail outlets remain largely fully occupied and appear to be benefitting from good patronage following recent improvements to the urban realm in the CBD.

Activity Centre Hierarchy

Summary of Floorspace

Table 3.1

Centre	Type of Centre <i>Retail Designation</i>	Location <i>TA Sector</i>	Distance <i>Km by road</i>	Major Tenants <i>operator</i>	Retail GLA <i>sq.m</i>
Shepparton CBD	Central Activities District	Beyond TA	3.6	Target, Coles, Kmart, Aldi, Harris Scarfe	85,310
Shepparton Marketplace	Regional Retail Centre	Beyond TA	5.9	Woolworths, Big W	15,250
Riverside	Sub-Regional Centre	Beyond TA	7.1	Coles	18,940
Mooroopna CBD	Sub-Regional Centre	Beyond TA	8.1	Woolworths, Aldi, IGA	11,270
Shepparton North	Sub-Regional Centre	Primary North	0.5	IGA	3,960
Echuca Road	Neighbourhood / Town Centre	Beyond TA	9.5	Coles	2,640
Shepparton Plaza	Neighbourhood / Town Centre	Beyond TA	5.5	Woolworths	12,540
Tatura	Neighbourhood / Town Centre	Beyond TA	23.7	IGA, Foodworks	9,100

* Total GLA refers to retail floorspace and excludes non-retail uses

Source : PCA; Essential Economics; Urbis

3.1.2. Regional Retail Centre - Shepparton Marketplace

77. Located at a site amidst a major retail and commercial strip some 2km east of the CBD along Midland Highway, the **Shepparton Marketplace** is an established retail centre with regional status, the second highest order retail offer following the CBD.
78. It is anchored by a full-line Woolworths supermarket, along with a Big W discount department store (DDS). In addition, the centre also has around 20 retail specialty shops, including a pharmacist, a butcher, several cafes and restaurants, apparel shops and a newsagency, adding up to a total retail floorspace of around 15,250 sq.m.
79. The Shepparton Marketplace appeals to a broad market base well beyond the local area, in particular customers living in regional towns further east of Shepparton, due primarily to its east-of-CBD location and convenient access via a major highway (i.e. Midland Highway). My observation is that the centre appears to be trading well, with the centre very busy and parking difficult to find on the day of my visit.
80. This centre is of some competitive relevance to the proposed development on the Shepparton North Lascorp site due to the inclusion of a Woolworths supermarket as proposed on the subject site, and the ability to access the Marketplace from the north-east growth areas of Shepparton without having to travel through the CBD.

3.1.3. Sub-Regional Centres

81. The **Riverside** Activity Centre is located approximately 3km south of the Shepparton CBD on the southern bank of the Goulburn River on the western side of the Goulburn Valley Highway. The centre first opened in 2009 with an enclosed mall (i.e. Riverside Plaza) anchored by a full-line Coles supermarket and comprising around 15 specialty shops. Other major tenants include Harvey Norman (located within a new building north of Riverside Plaza), a freestanding KFC outlet, a medical centre, along with a community centre. As a sub-regional centre, it serves a broad residential catchment primarily south of the CBD and further south along the Goulburn Valley Highway. Total retail floorspace currently is around 18,940 sq.m.

82. The **Mooroopna CBD** is the retail core of the Town of Mooroopna. The centre is located approximately 4km southwest of the Shepparton CBD and is the sub-regional centre serving Mooroopna and the rural and regional areas primarily to the west of the town. The Mooroopna CBD is situated along the Midland Highway, anchored by a full-line Woolworths supermarket and an Aldi supermarket south of the highway. The smaller format Fishers IGA Mooroopna supermarket is located north of the highway, along a strip of retail specialty shops and other commercial uses. The CBD has a total retail floorspace of around 11,270 sq.m and appears to be trading generally well as suggested by its relatively healthy vacancy level of around 5% as a sub-regional offer. This is despite the separation of specialty shops from Woolworths and Aldi which are located at one end of the strip and on the opposite side of the highway to most of the other retail space.
83. The **Shepparton North** activity centre currently primarily comprises the Fairleys IGA. This supermarket is large and provides a range of in-store facilities including liquor, bakery, café, and a tattslo to outlet. The centre is approximately 1.8km to the north of the Shepparton CBD and occupies a prominent position as a gateway to the northern edge of urban Shepparton as well as the vast rural hinterland further north. The centre does not currently fulfil its sub-regional status due to the narrow focus of the IGA offer. With limited other retail facilities in the north, Fairleys IGA is a popular shopping destination among for shoppers residing north of Shepparton. I understand the supermarket is consequently one of the strongest performing stores under the IGA banner in the state.

3.1.4. Neighbourhood/Town Centres

84. The **Echuca Road (Mooroopna North)** centre is located approximately 1km north of the Mooroopna CBD. The centre is effectively a standalone smaller format Coles supermarket in the order of 2,640 sq.m with a service station on a carpark pad. It functions as a neighbourhood centre and primarily serves local shoppers living in the surrounding residential areas for basic day-to-day grocery shopping. The supermarket is an older format store which has not undergone a major refurbishment.
85. The **Shepparton Plaza or Rowe Street East** centre is located in between the Shepparton CBD and the Shepparton Marketplace south of High Street/Midland Highway. It was previously considered as a part of the Shepparton CBD and is now recognised as a separate offer with neighbourhood centre status, due primarily to the barrier of the railway line that reduces its link to the CBD and the different role it plays relative to the higher-order retail and commercial role of the CBD. It is currently anchored by a full-line Woolworths supermarket and comprises a number of specialty shops. Other businesses located to the west of the supermarket include Officeworks, Red Rooster, The Bottle-O Warehouse, a range of showrooms and some other commercial uses. Total retail floorspace is around 12,540 sq.m according to the Activity Centres Strategy.
86. Located approximately 17km to the south-west of the Shepparton CBD, the **Tatura Town Centre** occupies the central location of Tatura, primarily along Hogan Street west of the railway line. It is anchored by King's Foodworks and Fishers Supa IGA supermarkets, providing mostly basic convenience style shopping to a locally based market. The centre currently has a total retail floorspace of around 9,100 sq.m and includes a range of non-retail and community uses such as medical centre and Goulburn Murray Water Office, etc.

3.1.5. Beyond the City of Greater Shepparton

87. The **Numurkah Town Centre** is a strip of retail and commercial/light industrial uses centrally located in the Town of Numurkah around the intersection of Melville and Quinn Streets. As a local offer, it is currently anchored by a convenience style Foodworks supermarket in the order of 550 sq.m located next to the Numurkah Visitor Information Centre at the northeast corner of Melville and Knox Streets, and the Dysons IGA supermarket around 1,200 sq.m further north at the southwest corner of Melville and Saxton Streets. The centre primarily caters to the shopping needs of local residents and those in surrounding rural areas.
88. Although the centre falls outside of the City of Greater Shepparton and therefore does not constitute part of the Shepparton retail hierarchy, it is within our defined Secondary North sector and considered in our analysis in the following sections as a local retail offer accessed by residents of that sector.

3.2. SUPERMARKET PROVISION

89. Table 3.2 outlines the provision of supermarket floorspace for residents across the trade area.
90. Currently there are an estimated 21,760 residents across the trade area serviced by three supermarkets comprising approximately 5,750 sq.m of floorspace. Two of those supermarkets are smaller stores in Numurkah. The third is the large Fairley's IGA. This equates to a floorspace per 100 population of 26.4 sq.m. This is substantially below (-39%) the average for non-metropolitan Victoria.
91. Without further development, the growing population of Shepparton North will see this relative provision per capita continue to decline.
92. Assuming the development of a new supermarket in the Lascorp development of 3,960 sq.m, and accounting for population growth in the interim, by 2020 the provision of supermarket floorspace within the trade area will still remain marginally below the current non-metropolitan Victorian average.

Supermarket Provision Benchmarking

Lascorp Development Trade Area, 2017 – 2020

Table 3.2

		Total Supermarkets				
2017		Stores (no.)	GLA (sq.m)	Floorspace Per 100 Pop	<--Var. from Non-Metro VIC	Pop. Per Store
Main Trade Area	21,760	3	5,750	26.4	-39%	7,253
Non-Metro VIC				43.5		6,798
Total Australia				33.9	-22%	6,086

		Total Supermarkets				
2020		Stores (no.)	GLA (sq.m)	Floorspace Per 100 Pop	<--Var. from Non-Metro VIC	Pop. Per Store
Main Trade Area	22,590	4	9,710	43.0	-1%	5,648
Non-Metro VIC				43.5		6,798
Total Australia				33.9	-22%	6,086

Source: Urbis

93. It is important to note that these benchmarks represent the average provision. Locations vary in their physical, geographic and demographic characteristics and can therefore require varying levels of supermarket supply. However, benchmark provisions are a relatively good indicator of whether or not markets are over or under-supplied but not the end of the story.
94. I acknowledge that some of the supermarket floorspace need of the northern part of Shepparton is served by other supermarket facilities in the CBD and Shepparton Marketplace. However, given the convenience nature of supermarket shopping, an adequate provision of supermarket space needs to be provided close to where people live (i.e. in this case, within the northern suburban area).
95. Perhaps more tellingly (and somewhat corroborating the indicated under-supply of floorspace in the trade area at present) is the very strong performance of Fairley's Supa IGA, one of the strongest

stores under that banner in the state. This in part reflects the current under-provision of supermarkets and retail floorspace in general in the north.

3.3. RETAIL NEED IN SHEPPARTON NORTH

96. As established in the Activity Centres Strategy, the existing retail offer in Shepparton North does not provide the full offer expected of a sub-regional centre, restricted to a single supermarket without specialty shop support or complementary community uses. There is a clear need for additional retail facilities to serve Shepparton North, as evidenced by the very low relative provision of supermarket floor space in the trade area.
97. There is a need and demand for a second full-line supermarket in the trade area to service the needs of the growing northern area. The supermarket provision exercise provided above confirms that even with the provision of another full-line supermarket on the Lascorp site, the supermarket floorspace provision will still be marginally below non-metropolitan Victorian benchmark levels.
98. The proposed supermarket on the subject site will address a range of (currently unfulfilled) market needs. Amongst these:
- Addressing the shortfall of supermarket floorspace serving the northern parts of Shepparton.
 - Creating increased choice of supermarket brand by providing a second full-line supermarket.
 - Increasing convenience for residents of the north seeking choice of supermarkets, with the proposed development strategically located close to where the future growth in population in Shepparton North East will be located.
 - Providing a broader range of specialty shops and services that will provide the opportunity for linked trips in one location. This provides a further level of convenience for shoppers. In tandem with the childcare centre which will operate independently of the retail, there is an opportunity to provide a more community-oriented offer than has been provided in Shepparton North thus far.
 - Occupying a site in an ideal location for a sub-regional offer, recognising the site is highly accessible from a regional and local context. The site has exposure to, and access from, the Goulburn Valley Highway and Ford Road, both major arterial roads in the area.
 - Better fulfilling the shopping needs of trade area residents, by providing them with access to more convenient shopping options and underpinning greater price competition. This will ensure Shepparton North is better able to serve its designated role as a sub-regional centre.

All of these are tangible and important benefits for the community. These factors will be discussed further in subsequent sections.

99. The supermarket provision analysis, along with a knowledge of major tenant intentions, does however, also indicate that a 3rd full-line supermarket is not sustainable in Shepparton North in the foreseeable future. A smaller format store such as Aldi may be added should they choose to locate here (noting they chose not to locate on the IGA site) as they serve a differentiated role to a full-line supermarket. Given this conclusion, it is my view that the Lascorp development and the IGA stage 2 development are highly unlikely to both be able to proceed together. This is discussed further in subsequent sections.

4. TRADING IMPACT OF DEVELOPMENT

100. This section attempts to quantify the trading impact of the Lascorp development on other retail locations within the Shepparton hierarchy.

4.1. DEVELOPMENT POTENTIAL

101. In order to assess the potential economic impacts that could eventuate from the proposed Lascorp development, the turnover potential of the development is now assessed.
102. The turnover performance of the centre is based on future market demand and attainable market shares and trading densities (i.e. turnover per sq.m). Estimated market shares take into account the scale, composition and quality of the proposed retail development as well as the location and competitiveness of other retail locations.
103. The turnover potential of the proposed centre is expressed in constant \$2017 inclusive of GST. I have assumed a first full year of trading for 2020.
104. Given the existing permit to take the retail offer on the IGA site to 8,000 sq.m and the recent applications for development on that site, I have assumed that the Stage 1 expansion of the IGA site development proceeds involving the relocation of IGA and the addition of unnamed mini majors and specialty shops. I have not assumed the Stage 2 development proceeds because, as detailed in the previous section, Stage 2 and the Lascorp development are unlikely to be sustained together in my opinion.
105. The turnover estimates are predicated on population and spending market size as described in Sections 2.3 and 2.5.
106. With regard to the relevant factors, the proposed Lascorp site has the potential to achieve a retail turnover of approximately \$46.5 million, as shown in Table 4.1. Against a retail GLA of 5,990 sq.m, this turnover level equates to an average trading level of around \$7,760 per sq.m.
107. In terms of market shares, the proposed Lascorp development could capture:
- A 13.5% share of retail expenditure by trade area residents, including 19.7% of food expenditure;
 - Highest shares are expected in the primary north with a 16.7% share of retail expenditure by primary north trade area residents, including around 25% of food expenditure;
 - Approximately 13% of turnover could be sourced from beyond the trade area, recognising the exposure provided along the arterial highway and the location of the supermarket to considerable passing traffic. Typically, neighbourhood centres will generate up to around 10% of their turnover from beyond the trade area. I have allowed for slightly more in this case to reflect the increased level of passing traffic on the highway.
 - Of this \$46.5 million I have estimated that the turnover potential of the supermarket itself constitutes approximately \$34.5 million or just over \$8,700 per sq.m. While this turnover and turnover per sq.m is below average for major chain supermarkets, I believe this a reasonable estimate, reflecting the large format store, a in non-metropolitan location on the fringe of a major urban area, the presence of competition, the fact that new stores in growing areas can take a number of years to grow to a stabilised level.

Market Share Potential

Lascorp Development, 2020 (\$2017, incl. GST)

Table 4.1

	Market (\$M)			Market Shares (%)			Turnover (\$M)		
	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total
Primary:									
North	65	49	114	25.0%	5.7%	16.7%	16.2	2.8	19.1
South	61	42	103	19.5%	4.9%	13.5%	11.9	2.1	13.9
Total Primary	126	91	217	22.3%	5.3%	15.2%	28.1	4.9	33.0
Secondary North	49	34	83	12.9%	3.2%	8.9%	6.3	1.1	7.4
Main Trade Area	175	125	301	19.7%	4.8%	13.5%	34.5	6.0	40.5
% from beyond trade area				13.0%	13.0%	13.0%	5.2	0.9	6.0
Total Centre							39.6	6.9	46.5

Source: Urbis

4.2. TRADING IMPACTS

Trading Impacts Analysis Scope and Context

108. An impact assessment can reasonably be expected to provide an indication of the trading environment and average trading conditions which retailers are likely to operate within, and implications for likely turnover declines or turnover gains, on average, for the retailers involved. Because an impact assessment seeks to forecast how groups of people are likely to alter their shopping behaviour in response to a given change in the competitive environment, it is not possible to be so precise as to estimate exactly what will happen to each individual retailer, or each group of retailers in each location.
109. It is therefore not possible in any impact assessment of this type to estimate precisely what will be the trading impacts on any specific individual retailer. The impact on any one individual retailer, or any small group of retailers in a given location, would depend on many factors, some of which are within their control. The actions which each of these retailers take will determine the eventual impact on each of them, and furthermore the actions which they each take will also determine the eventual impact on the other retailers involved.
110. All of these factors need to be kept in mind when considering the likely impact of any introduction of a retailer within the existing retail network. Existing retailers are not passive participants, but rather will play a major role in the eventual impact which they will experience.
111. It should also be noted that the effects of new competition on individual businesses or centres are not a relevant planning consideration in most situations. The relevant consideration in planning terms relates to the ongoing ability for a centre to continue to provide for the needs of the community which they serve, and to ensure that new development does not fundamentally undermine the viability (or resulting trading levels) and role of existing and planned centres, particularly their role as community focal points for a range of needs. The sustainability of the activity centre hierarchy is of paramount importance, not simply the one-off percentage trading impact. Of note, a centre can experience a significant percentage impact but still be viable given the resulting trading levels are still within sustainable levels.

Trading Impacts Methodology

112. Shopper behaviour is related to the satisfaction of particular requirements. Decisions regarding where to shop are based on the sum total of a number of judgements, including relative accessibility, the availability of particular traders, convenience, variety, carparking, and others. As a result,

residents like to spread their purchases across a wide variety of shopping centres and areas, and to use the full range of facilities available to satisfy particular needs.

113. The method of analysis used to assess the impacts on individual centres from a retail development is based on a “competitive usage” model. This model is based on the principle that if shoppers choose to direct some of their retail expenditure to the subject development proposal then they will reduce their expenditure at other centres in direct proportion to their usage of each centre or location, as reflected by each centre’s market share from the various trade area sectors. In assessing the potential impacts on other centres in the hierarchy I have adopted a “turnover allocation approach”.
114. The assessment of impacts on specific retail centres relies upon an understanding of the existing turnover and level of usage of centres in the trade area and beyond. The model estimates the degree to which various shopping locations within and beyond the trade area are used for retail shopping by allocating a proportion of turnover to each trade area sector (i.e. source of sales). These estimates result in market share calculations for each competitive centre and thereby form the basis by which the impact of the proposed retail development is distributed to all other centres used by residents of the trade area.
115. It is also relevant to consider the dollar impacts in relation to the turnover that would potentially be generated by these and other shopping centres over the intervening period. The impact analysis therefore details the turnover loss or net impact which is expected for each centre/location, expressed as a reduction in turnover and as a percentage of the turnover level for each centre in 2020.

Proposed Development - Trading Impacts

116. Table 4.2 outlines the assessment of potential trading impacts on individual activity centres as a result of the proposed development of a Woolworths anchored centre at Shepparton North.
117. The key information provided in Table 4.3 is as follows:
 - Column 1: provides an estimate of the current (2017) turnover level for each of the key relevant centres / precincts. This takes into account the composition and estimated performance of each component of each centre. For consistency, I have adopted the estimated trading performance for each centre as estimated in the Commercial Activity Centres Strategy, grown to reflect the likely change in performance over the last couple of years since the Strategy was prepared. This is consistent with my knowledge of the trading performance of Shepparton’s centres.
 - Column 2: provides an estimate of the turnover level that could be achieved by each centre in 2020 if the proposed development does not proceed, taking into account other competitive developments and market growth (as assessed in the previous section). The only other competitive development assumed is the Stage 1 redevelopment of the IGA site in Shepparton North.
 - Column 3: provides the estimated turnover for each centre after the impact from the proposed development. In this instance, the difference between columns 2 and 3 is the impact of the subject development proposal alone.
 - Column 4: provides an estimate of the difference between each centre’s current estimated turnover (2017) and projected turnover, after the proposed development and other competitive developments.
 - Column 5: presents the estimated loss in turnover for each centre in 2020 following the proposed development, compared with what each centre is estimated to have achieved in that year in the absence of the proposed development. This is the estimate of the dollar impact of the proposal.

- Column 6: expresses the change in each centre's anticipated turnover level post the proposed development, relative to the current turnover level (2017) in percentage terms. It represents the impact of the proposed development.
 - Column 7: compares the turnover level of each centre following the proposed development with the turnover level that would otherwise have been achieved in 2020, expressed in percentage terms.
118. Note all turnover figures provided in Table 4.2 are expressed in constant \$2017, inclusive of GST but exclusive of retail price inflation.
119. The main findings from the impact analysis is as follows:
- The one-off impacts in 2020 on most key individual centres within the Shepparton retail hierarchy range from -0.1% to -8.1%, which are within acceptable levels that would not impact the sustainability of any one centre.
 - In percentage terms, the largest impact is expected on the expanded Shepparton North IGA development, reflecting the close proximity of this component within the same Activity Centre. While this impact may seem high, it must be considered in the context of the fact that due to the Stage 1 expansion of that centre, the resultant turnover will still be well above the current estimated turnover of just the IGA. The post development turnover per sq.m for the IGA development also remains strong.
 - The level of impact on Shepparton North is typical of a competitive environment where the key component of the new development is directly competitive with the key component of the existing offer (a supermarket). Fairley's IGA has had this market to themselves for a significant period, reflecting in the existing strong performance of the store. The turnover per sq.m for IGA centre will decline as the result of its proposed Stage 1 expansion due to the introduction of lower productivity mini-majors and specialty shops. Even post the introduction of the Lascorp development, the centre turnover per sq.m at \$6,696 will be higher than most other centres in Shepparton.
 - Furthermore, the impact on the other components of the Shepparton North centre must be considered in the context of the role played by the more broadly defined Shepparton North Activity Centre. When considered together, the Lascorp and IGA developments will be generating \$98.7 million in turnover across the Shepparton North sub-regional centre, compared with an estimated \$38.8 million currently. This implies the centre as a whole will be much more likely to be fulfilling its designated role in the hierarchy, with local residents in the north being the key beneficiaries of being able to shop more locally for convenience-based goods and services.
 - The largest dollar impact is expected on the Shepparton CBD, reflecting the absolute size and turnover of that centre which is around four times larger than the next largest centre. In percentage terms, the impact is modest at 3.3%. The broad-based offer and significant drawing power of the centre across the region ensures the impacts are minor and manageable. The impacts would be expected to fall more heavily on the Coles and Aldi supermarkets in the CBD, but again not to a level that would impact the viability of those stores.
 - The positive effect of market growth will, to varying degrees, help to offset the one-off trading impacts in 2020. As a result, in most cases, the difference in retail turnover of an individual centre will either be higher or only moderately lower in 2020 relative to the current 2016 turnover. The resulting trading levels of each centre will remain at viable levels thus preserving the sustainability of these centres. Market growth beyond 2020 will further mitigate the assessed levels of impact in future years.

It should be noted that the impacts will fall disproportionately across various tenant types. In particular, with most of the turnover of the Lascorp development to come from the supermarket, other supermarkets will more heavily impacted. The larger impacts will be borne by the major supermarket chains such as Coles, Woolworths, and to some degree Aldi. In fact, given the

proposed tenant in the new centre is Woolworths, the other Woolworths stores will account for a significant share of any transfer of business. This accounts for some of the larger impacts in centres such as Shepparton Marketplace and Shepparton Plaza.

120. In summary, the proposed development on the Lascorp site in Shepparton North is not expected to have an adverse impact on the viability and role of any activity centre. The level of impact is within the bounds of a normal and healthy competitive environment and would support the continued sustainability of the activity centre hierarchy. Importantly, the role of Shepparton North is grown to reflect its sub-regional designation.

Distribution of Impact on Activity Centres

Proposed Lascorp Development, 2020 (\$2017 incl. GST)

Table 4.2

	Est. Retail Turnover (\$M)			Turnover Inc./Dec. (\$M)		Impact		Est. Retail Turnover (\$psm)		
	Existing	Pre-Dev	Post-Dev.	Existing	Pre-Dev			Existing	Pre-Dev	Post-Dev.
	2017	2020	2020	2017	2020					
	(1)	(2)	(3)	(4)=(3)-(1)	(5)=(3)-(2)			(6)=(4)/(1)	(7)=(5)/(2)	
Subject Development										
Lascorp Site	0.0	0.0	46.5	n.a.	+46.5	n.a.	n.a.	n.a.	n.a.	7,762
Centres within Trade Area										
Shepparton North IGA	38.8	63.1	52.2	+13.5	-10.8	+34.7%	-17.2%	9,692	8,086	6,696
Numurkah	22.0	22.1	20.3	-1.7	-1.8	-7.6%	-8.1%	4,000	4,021	3,695
Central Activities District										
Shepparton CBD	427.5	447.6	433.0	+5.5	-14.6	+1.3%	-3.3%	5,011	5,247	5,075
Regional Retail Centres										
Shepparton Marketplace	114.0	118.6	111.6	-2.4	-7.0	-2.1%	-5.9%	7,475	7,774	7,318
Sub-Regional Centres										
Riverside	84.9	90.6	90.1	+5.2	-0.6	+6.1%	-0.6%	4,481	4,786	4,756
Mooroopna CBD	65.0	68.6	68.3	+3.4	-0.2	+5.2%	-0.3%	5,764	6,083	6,065
Neighbourhood / Town Centres										
Echuca Road	15.7	16.1	16.0	+0.3	-0.0	+2.0%	-0.3%	5,953	6,092	6,074
Shepparton Plaza	51.3	53.1	51.2	-0.1	-1.9	-0.3%	-3.5%	4,094	4,232	4,082
Tatura	41.9	44.2	44.2	+2.2	-0.0	+5.3%	-0.1%	4,606	4,855	4,852
Total Listed Centres (Exc. Lascorp)	747.1	805.3	775.4	+28.3	-30.0	+3.8%	-3.7%			
Other Centres Not Listed					-16.5					
Total Impact					-46.5					

Source: Urbis

5. ECONOMIC BENEFITS AND IMPACTS

121. The previous section considered the anticipated trading impacts of the proposed Lascorp development on other retail locations within the Shepparton centres hierarchy. However, it is important to understand what those trading impacts mean in the context of a net community benefit assessment. Additionally, consideration is given here to the other effects of the proposed development in an economic sense.

5.1. EFFECT OF TRADING IMPACTS

122. As touched on in the previous section, the quantum of a trading impact is not so much relevant as the actual effect of that impact on the ability of the centres to continue to serve their role within the retail hierarchy.
123. In considering the true impact of the development on the retail hierarchy and the centres within it, I make the following comments:
- The Shepparton CBD will continue to serve a broader and differentiated role across the region. Shopping at Shepparton North will be largely convenience based, which will to some extent reduce the need to visit supermarkets and associated facilities in the CBD. However, those CBD supermarkets continue to have a role in being used in conjunction with other shopping purposes, rather than being the sole purpose of visit.
 - Few shoppers from the north would be using the CBD supermarkets because they are convenient – the traffic and parking arrangements in the CBD reduce the convenience of these stores unless they are part of a broader-based trip to the CBD.
 - Only a proportion of the business of the CBD comes from the trade area defined for Shepparton North. The population in this trade area represents less than 20% of the population of the broader municipal population. This limits the impact of the proposed development.
 - Impacts will be predominantly on the supermarkets across all centres, particularly the full-line stores. These stores and operators are large enough to absorb the impacts of the magnitude expected and will continue to trade, thereby not impacting on the role played by the centres they are within.
 - Development is in keeping with serving the population growth that is focussed in the north. Hence, relative to existing turnover, the impact on centres is minor. The assessed impacts are also one-off impacts with centres capturing a share of future growth.
 - Impacts are within the range expected in a competitive market. They will not impact on the ability of centres to serve their designated role and there will not be major changes in vacancies as a direct result of this development.
 - The impact on the IGA is the most significant due to the close proximity and shared catchment. However, it is a sustainable impact given the existing strength of this supermarket (one of the strongest IGAs in the state) and the continued population growth in the north that will expand the size of the market for all. There is also capacity for the stage 1 expansion of the IGA site too.
 - Ultimately, together, the two developments in the Shepparton North Activity Centre will ensure it is able to fulfil its designated role as a sub-regional centre. This will provide the residents of Shepparton North and surrounds with access to a greater range and diversity of retail facilities.

5.2. OTHER EFFECTS

5.2.1. Choice / Convenience

124. Providing choice and convenience to consumers is a key consideration in the requirement for new retail space. Demand for retail space – particularly supermarket space – is not simply a function of relative floorspace provision. Community benefit is created through increased convenience and choice in the type of supermarket or other stores offered, and the range of goods able to be provided through the provision of multiple retail options.
125. The proposed development would enhance local residents' choice for supermarket and other convenience-based shopping needs. The existing Fairley's Supa IGA trades nearby within Shepparton North, however, providing a second full-line store in the Activity Centre has not only been assessed as necessary from a floorspace provision perspective, but also to provide residents with a choice of operator.
126. The choice of location within the Shepparton North Activity Centre is also a relevant consideration. The IGA site is located at the southern end of the centre and has benefitted from its exposure to the highway and access to a sizeable population not only north of the site, but probably more importantly for the success of that business over a long time, a significant population base immediately south (effectively the primary south).
127. Going forward however, the population distribution of Shepparton North will shift further north and east where the Lascorp development is central. This new site not only affords the proposed supermarket with access and exposure to the highway, but importantly to Ford Road as a major arterial east-west accessible by most of the future residents in the Shepparton North East growth area.
128. The nearest Woolworths supermarkets are located at Shepparton Plaza and Shepparton Marketplace. The Marketplace in particular is patronised by residents for their higher-order retail shopping rather than for simply supermarket convenience shopping as the busyness of the centre can make it less convenient if supermarket shopping is the sole purpose of visit. The Plaza is designated to serve a neighbourhood role. Both require residents of the north to travel some distance, either through or around the CBD. Were an alternative Woolworths available closer to residents of the Shepparton North area, this would enhance the choice and convenience of those wishing to shop at Woolworths.
129. The existing Fairley's Supa IGA is understood to trade significantly above the expected level for that chain, reflective of the lack of competition and variety with regard to complementary supermarket offers in the trade area. Additionally, relatively high trading levels in supermarkets that lack coherent competition often results in an inability to service the demands of the catchment population – there is a limit to the capability and capacity of the existing supply chain to service the volume of business that would otherwise typically be more efficiently serviced by more than one operator. As the population of Shepparton North grows, this becomes an even more important consideration. As a result, the degree of leakage out of the trade area to competing centres and precincts will increase over time without providing further supermarkets.

5.2.2. Competition Effects

130. A potential consequence of the additional retail floorspace, including the addition of another supermarket, is increased competition amongst retailers within the area. In turn, this potentially leads to cheaper prices for consumers, enhanced service levels and better quality offerings. This strengthens the overall retail offer across all centres / precincts. Added competition from a new full-line supermarket would also be expected to result in keener pricing strategies from other supermarkets and retailers serving food and grocery shopping needs. Reduced prices for food and groceries will have a direct positive impact on household budgets. I note that Fairley's IGA promote in-store their price matching offer.
131. While the impact section in this report models a one-off impact relative to what could be achieved without new competition on other retail centres in the local area, the greater activity generated by the proposed development will create positive flow-on benefits over time to existing retailers, including maintaining the spending of local residents within Shepparton North generally.

5.3. EMPLOYMENT GENERATION

132. The proposed development is expected to have a positive impact on both the employment and value added for Shepparton North as well as Greater Shepparton. Many new retail employees are likely to be Shepparton North residents or residents from surrounding suburbs. Certainly, the development will provide employment opportunities for residents of Shepparton generally.

133. The development assumptions are summarised in Table 5.1 below.

Development Summary

Subject Site, Shepparton North

Table 5.1

Development Component	Floorspace (sq.m)	Total Development Cost (M\$, Incl. GST)	Development Timeframe (months)
Retail Specialty Shops	2,030		
Supermarket	3,960		
Total	5,990	11.0	12

Source: MacroPlan; Essential Economics; Urbis

134. The assumptions underpinning the employment estimates here are as follows:

- Total proposed floorspace at the subject site is approximately 5,990 sq.m. This includes a full-line supermarket of around 3,960 sq.m and some 2,030 sq.m of retail specialty shops.
- Total capital investment is estimated at around \$11 million inclusive of GST.
- A development timeframe of 12 months. This would result in an annualised development cost of \$11 million inclusive of GST.

5.3.1. Methodology

135. Our analysis here uses REMPLAN economic modelling to assess current and potential economic impacts. REMPLAN is an Input-Output model that captures inter-industry relationships within an economy. It can assess the area-specific direct and flow-on implications across industry sectors in terms of employment, wages and salaries, output and value-added, allowing for analysis of impact in this case at the state level.

136. Key points regarding the workings or terminology of the model are as follows:

- REMPLAN uses either the value of investment or employment generation as the primary input. For this analysis, the value of total upfront investment has been used as the key input to assess the benefits of the construction phase, whereas future employment at the retail offer is the input to assessing the on-going economic benefits of the operation phase.
- Outputs from the model include employment generated through the project and economic Gross Value Added at the state level.
- Employment generated includes all full-time, part-time and casual jobs created over the life of the construction phase; or in terms of the on-going operations, total on-going jobs generated.
- Gross Value Added or GVA is a measure of the value of goods and services produced in an area, industry or sector of an economy during a certain period of time. In this case, GVA represents the total economic contribution of the project.

- Both the direct and indirect benefits are modelled for employment and value added:
 - *Direct* refers to the effect felt within the industry where the investment is being made. For example, during the construction phase, new direct jobs are created within the construction industry.
 - *Indirect* effects are 1) those felt within industries that supply goods to the industries directly affected and 2) to industries that benefit from the wages that are earned and spent by those employed within the industries directly affected.
- Economic benefits are modelled for the construction and the on-going operation phases. For both phases, the employment and value added numbers are presented on an annualised basis. Construction phase benefits accrue each year when the project is under construction (or a pro-rata basis for any part year construction period). On-going benefits accrue each year of operation.

137. The following sub-sections present a summary of benefits for these two phases of the proposed development.

5.3.2. Construction Phase

138. As mentioned earlier, the proposed development is estimated to have a total construction cost of around \$11 million inclusive of GST over an assumed construction timeframe of 12 months. This equates to an annualised construction cost of around \$11 million.
139. As shown in Table 5.2, construction of the proposed development is estimated to be able to generate 14 direct jobs for the equivalent of one year as a result of construction, and 54 jobs indirectly created for Victoria. There would be approximately \$2.4 million in direct Gross Value Added (GVA) per year during the construction period, and \$8.0 million in indirect GVA annually in constant 2017 dollar terms inclusive of GST. Over the assumed 12-month construction period, total GVA would be around \$10.4 million.

Construction Phase Benefits

Subject Site, Shepparton North

Table 5.2

Construction Phase	Direct Benefits	Indirect Benefits	Total Benefits
Employment ¹	14	54	68
Gross Value Added (M\$) ²	2.4	8.0	10.4

1. Total full-time, part-time and casual jobs for the equivalent of one year of employment during construction.

2. Annual benefits measured in constant M\$ 2017 dollar value including GST.

Source: REMPLAN; Urbis

5.3.3. Operation Phase

140. The number of direct ongoing jobs for the proposed development was estimated by referring to industry benchmarks and Urbis' experience in staffing requirements for retail uses, based on the proposed floorspace of the retail offer on site. Direct jobs are entered into REMPLAN to produce an estimate for indirect jobs and direct and indirect GVA.
141. It is estimated that the proposed development would have the capacity to generate 285 direct jobs (full-time, part-time and casual) during the on-going operation period, including 127 jobs across the retail specialty shops and 158 supermarket-related jobs.
142. These direct jobs are estimated to induce a further 153 indirect jobs elsewhere in the economy.
143. The majority of the jobs within the development will be filled by residents of Greater Shepparton, while a significant share of the indirect jobs can be expected to support the local area too (e.g. increased wages of residents are spent on other goods and services in Shepparton).
144. Resulting from the economic activity on site, there would be an estimated \$42.8 million per annum in direct and indirect GVA contribution generated from the daily operation and management of the retail

facilities to the Victorian economy. This includes \$19.1 million direct and \$23.7 million indirect GVA benefit across the State (see Table 5.3 below). Again, most of this benefit will be retained within Greater Shepparton.

Operation Phase Benefits

Subject Site, Shepparton North

Table 5.3

Operation Phase	Direct Benefits	Indirect Benefits	Total Benefits
Employment (At Full Capacity)¹			
Retail Specialty Shops	127	68	195
Supermarket	158	85	243
Total On-going Annual Employment	285	153	438
Gross Value Added (GVA At Full Capacity)²			
Retail Specialty Shops	8.5	10.6	19.1
Supermarket	10.6	13.1	23.7
Total On-going Annual GVA	19.1	23.7	42.8

1. Total full-time, part-time and casual jobs for the equivalent of one year of employment during operation.

2. Annual benefits measured in constant M\$ 2017 dollar value including GST.

Source: REMPLAN; Urbis

145. It could be argued that, due to the transfer of business from other retail facilities to the new centre, there could also be a transfer of jobs from other impacted locations. While the level of employment could be reduced, the extent of this reduction is expected to be limited. Although turnover levels might be reduced, the impacts are not of a magnitude to result in the permanent closure of retail stores, while retailers that remain trading still need to staff their stores. These stores will still be open the same hours each week, checkouts still need to be operated and shelves still need to be stocked. In Shepparton North, population growth will see all retailers become busier in time. The expected employment transfer is therefore expected to be limited.
146. Ultimately, the proposed development is expected to have a positive impact on employment for Shepparton North and the region more generally.

6. EXPANSION IN SHEPPARTON NORTH

147. Clearly, I am aware of the competing applications for retail development in Shepparton North. My analysis in this report has indicated that there is a need and demand for a second full-line supermarket and a range of specialty shops in the Activity Centre. Indeed, the Lascorp development and the Stage 1 expansion of the IGA site can be supported at the same time. However, the addition of a third full-line supermarket is not sustainable in the foreseeable future. Therefore, the Stage 2 IGA development will not proceed if the Lascorp development is delivered.
148. In this section, I consider, in an economic sense, the extent to which the creation of two nodes of retail activity within Shepparton North impacts on the economic benefits afforded the region.

6.1. RELATIVE ECONOMIC EFFECTS OF EXPANDED ACTIVITY CENTRE

149. In retail planning, it is generally acknowledged that there is a preference for activity centres to have a consolidated retail core. Dispersed retail nodes are not considered optimal planning outcomes. However, in economic terms, it is not always as clear cut. In some circumstances, there can be economic benefits associated with separating retail uses, just as there are some benefits of co-location.
150. This is the case in Shepparton North - development on the Lascorp site could result in economic benefits over and above those realised if development is contained to the IGA site. Below I have detailed the potential benefits of a separate development as proposed, relative to the benefits of consolidating the retail development on the IGA site as represented by the Stage 2 proposal for that site. I have attempted to align the corresponding benefits in the table.

Relative Benefits of Development on Lascorp Site (creating two nodes in Shepparton North)	Relative Benefits of Stage 2 IGA Site Proposal (two supermarkets/all retail on one site)
A single supermarket centre development can be more convenient for many rather than dealing with greater traffic and parking associated with a much larger centre with two supermarkets and multiple mini-majors. Many people have a preferred supermarket brand and don't want to shop two supermarkets in the one trip.	For some, the ability to shop across two supermarkets in the one trip is an advantage.
The site has direct access from the Highway. This is of critical importance to the new supermarket and specialty shops relative to a position in the IGA Stage 2 behind the Supa IGA and well back from the exposure and traffic of the highway.	
The site is more convenient to the residential growth areas in the northern part of the primary trade area. Access to a major east-west arterial (Ford Road), is a significant advantage in serving the new growth areas to the north east of Shepparton.	The site is more convenient to the existing population base south of the centre which is significant but not growing.

The site enables delivery of a larger supermarket with a corresponding increase in range available to the community. The Lascorp plan allows for a 3,960 sq.m supermarket, the IGA Stage 2 just 3,500 sq.m.	The likely reduced combined turnover due to a smaller supermarket and a less exposed location for the supermarket may technically result in a reduced trading impact on other centres in the hierarchy.
The specialty shop provision supported across two retail nodes (Lascorp and IGA Stage 1) is greater than if only the two stages on the IGA site are delivered.	The specialty shop operators are exposed to the combined shopper visitation of two full-line supermarkets, which has the potential to boost turnover performance across those stores (although the absolute number of stores supported by just one node is less).
Relative to a consolidated centre, the potential for two separated sites to act over and above the centre's role in the hierarchy is reduced.	Reduced likelihood of further retail uses infilling the space between the existing IGA and the Lascorp site.
The further distance of the site from the CBD has the potential to result in a lower impact on the CBD retailers (this is a marginal impact).	

151. My conclusion from this analysis is that most points in the above table are quite marginal either way. However, it demonstrates that from an economic perspective, it is not clear that the community would be afforded a greater net benefit if core retail in Shepparton North was confined to the IGA site. There are certainly economic benefits to both retailers and the community from having two separate nodes within the same activity centre.
152. As discussed below though, critically in my opinion, facilitation of the Lascorp development through Amendment C193 will increase the likelihood of the benefits of development being realised.

6.2. LIKELIHOOD OF DELIVERY OF IGA SITE STAGE 2

153. Despite the very recent application activity in relation to the IGA site in the time since the Lascorp development came to light, there must be some doubt as to whether that development will proceed, even if Amendment C193 is not approved.
154. The reasons why I believe why the Stage 2 development on the IGA site may not proceed are discussed below.
155. The only likely tenants for the supermarket in Stage 2 are Woolworths and Coles. I understand Woolworths has indicated the IGA site with the plan put forward is not a location they are willing to open a store in. Likewise, my knowledge of the site selection process for Coles leads me to conclude they too would be unlikely to approve a store for development on the basis of the plans for Stage 2.
156. There are a number of reasons I can see as to why the IGA site is not a viable option for these chains:
- The proposed second supermarket is in a clearly inferior location relative to IGA. The location at the rear of the development behind IGA and specialty shops when viewed from the highway affords reduced relative access and exposure. This in turn results in lower turnover levels, which implicitly indicates the needs of the community are not being maximised.
 - The proposed store size at 3,500 sq.m is smaller relative to what can be delivered on the Lascorp site. The ideal for Coles and Woolworths is, where the market size and site layout

permit, to develop modern stores as large as possible. They prefer stores closer to 4,000 sq.m wherever possible. Their experience is these stores ultimately trade better as they can best meet the needs of shoppers.

- Critically, the proposed second supermarket is smaller in size than the relocated IGA – without having a store size to match the incumbent supermarket, they will always underperform. While this may seem a minor consideration, based on the experience of stores across the country, this point is often the reason why Coles or Woolworths will turn down a site when putting forward options to their respective boards. My experience consulting to both chains has often highlighted the view “we have to be as large or larger than the other store”. With a level of investment that doesn’t allow every opportunity to be pursued, these chains can direct their investment elsewhere if a plan is not to their satisfaction.
- The IGA site is further removed from where the future growth will be. The likelihood of capturing the benefit of a growing population is reduced if the key area of growth is not on the doorstep of the store or the store is not well exposed to new residents as they pass.

157. I accept that if the Lascorp site was not a live option as an alternative for a second supermarket, then Coles or Woolworths may reconsider the merits of the IGA site. They may choose to go on to what is considered an inferior site in preference to not being represented or having their competitor get in to the market. However, there is still no guarantee that these chains would choose to invest in this location when considering their broader network needs and financial return.
158. Even if Coles or Woolworths were to be secured as the second supermarket on the IGA site, there is no guarantee that the development will be delivered.
159. Firstly, the financial return from the development of Stage 2 is unlikely to be high in my opinion. The addition of a supermarket and mini majors will not generate much extra rental income, while the additional specialty space (where the higher rent is) is minimal. The development cost relative to future return appears high.
160. This is putting aside the fact that even the Stage 1 development does not appear lucrative given all it does is add a small amount of specialty space and some low productivity mini-majors through a costly reorientation of what is already a successful supermarket.
161. Secondly, without the threat of competition elsewhere within Shepparton North, the incentive to develop the IGA site is reduced. Faced with a decision between generating a consistent return by sitting on an asset underpinned by a strongly performing Supa IGA in a growing area versus investing a significant sum in introducing a new competitor with limited other income generating floor space, the status quo could win out. The owner of the IGA site may be better off keeping a competitor locked out of the market by not developing.
162. It has only been recently when the Lascorp proposal came to light that the owner of the IGA site put the site up for sale and generated activity for new applications for development. Before that, the previous permit for development on the site sat inactive for five years, with the community continuing to wait for improved facilities to be delivered.

6.3. CONCLUSION

163. In economic terms, there is not a material difference either way if the expansion of Shepparton North occurs across one site or two. Development of the Lascorp site does have the benefit of maximising the performance of the second supermarket and supporting specialty shops due to the enhanced exposure and access to the highway and Ford Road where the majority of future residential development is concentrated.
164. Regardless of the benefit that might accrue under a consolidated development on the IGA site, the community will not benefit if the development is not delivered. The Lascorp development is a much more certain proposition in terms of outcome (major tenant is known and committed) and timing. The weight given to any perceived benefits of the IGA Stage 2 development must be discounted due to the uncertainty of the development being delivered relative to the Lascorp development.
165. Ultimately the net community benefit is enhanced by the Lascorp development, providing much needed retail facilities to an undersupplied and growing population. Many of these benefits could also accrue if the IGA development across both stages proceeded, however, with a lack of committed major tenants, the likelihood of this proposal proceeding is slim.

APPENDIX A SUPPORTING TABLES AND CHARTS

Detailed Demographics 1 / 2

Subject Site Trade Area, Census 2011

Table A.1

	Primary North	Primary South	Total Primary	Secondary North	Main Trade Area	Non-Metro Vic	Total Victoria
Household Income:							
\$Nil	1%	1%	1%	2%	2%	1%	2%
\$1-\$20,800	6%	16%	11%	18%	13%	15%	12%
\$20,800-\$52,000	25%	38%	32%	40%	35%	36%	29%
\$52,000-\$78,000	21%	18%	19%	16%	18%	18%	17%
\$78,000 - \$130,000	30%	17%	23%	18%	21%	19%	22%
\$130,000-\$208,000	14%	8%	11%	5%	9%	9%	15%
\$208,000 plus	2%	1%	2%	1%	1%	1%	3%
Average Household Income	\$84,635	\$60,907	\$71,792	\$56,533	\$66,870	\$64,321	\$80,593
Var'n from Non-Metro Vic Avg.	+32%	-5%	+12%	-12%	+4%	0%	+25%
Average Household Size	2.9	2.5	2.7	2.4	2.6	2.4	2.6
Per Capita Income (Persons aged 15 - 64)(%):							
\$Neg/Nil	7%	6%	7%	9%	7%	8%	11%
\$1 - \$20,800	23%	33%	28%	30%	28%	29%	25%
\$20,800 - \$41,600	29%	30%	29%	30%	29%	28%	24%
\$41,600 - \$78,000	30%	24%	27%	25%	26%	25%	27%
\$78,000+	11%	7%	9%	6%	8%	10%	14%
Per Capita Income	\$29,928	\$25,383	\$27,673	\$24,485	\$26,718	\$28,217	\$32,771
Var'n from Non-Metro Vic Avg.	+6%	-10%	-2%	-13%	-5%	0%	+16%
Age Distribution:							
Aged 0-14	24%	21%	22%	20%	21%	19%	19%
Aged 15-19	8%	7%	7%	6%	7%	7%	6%
Aged 20-34	16%	18%	17%	14%	16%	16%	21%
Aged 35-49	24%	18%	21%	19%	20%	20%	21%
Aged 50-64	19%	17%	18%	21%	19%	21%	18%
Aged 65-79	7%	11%	9%	14%	11%	13%	10%
Aged 80+	2%	7%	5%	7%	5%	5%	4%
Average Age	35.4	39.2	37.3	41.6	38.6	40.1	38.0
Dependency Ratio ¹	33%	39%	36%	40%	37%	37%	33%

1. Dependency ratio refers to the proportion of the population between 0-14 and over 65 years.

Source: ABS; Urbis

Detailed Demographics 2 / 2

Subject Site Trade Area, Census 2011

Table A.2

	Primary North	Primary South	Total Primary	Secondary North	Main Trade Area	Non-Metro Vic	Total Victoria
Household Composition (%)							
Couples with no children	29%	24%	26%	31%	28%	29%	26%
Family with children <15	37%	30%	33%	24%	30%	26%	27%
Family with children >15	<u>17%</u>	<u>14%</u>	<u>15%</u>	<u>13%</u>	<u>15%</u>	<u>13%</u>	<u>16%</u>
<i>Total Family (with children)</i>	<i>54%</i>	<i>44%</i>	<i>48%</i>	<i>38%</i>	<i>45%</i>	<i>39%</i>	<i>44%</i>
Group Household	3.3%	3.2%	3%	2%	3%	3%	4%
Lone Person	14%	27%	21%	29%	24%	28%	25%
Other	0%	1%	1%	0%	1%	1%	1%
Housing Tenure¹							
Owner	34%	32%	33%	40%	35%	40%	35%
Purchaser	50%	30%	39%	35%	38%	34%	37%
Renter	15%	37%	27%	24%	26%	25%	27%
Housing Costs							
Loan Mortgage Repayments (monthly \$)	\$1,777	\$1,362	\$1,604	\$1,278	\$1,510	\$1,469	\$1,885
% Households in Mortgage Stress ²	5%	4%	4%	1%	3%	3%	3%
Rent Payments (weekly \$)	\$239	\$194	\$205	\$160	\$192	\$201	\$300
% Households in Rental Stress ²	0.9%	5.8%	3.6%	3.9%	3.7%	4.9%	6.3%
% Households in Housing Stress	6%	10%	8%	5%	7%	8%	10%
Car Ownership							
% 0 Cars	1%	10%	6%	6%	6%	7%	9%
% 1 Car	20%	40%	31%	34%	32%	35%	36%
% 2 Cars +	79%	50%	63%	60%	62%	58%	56%
Labour Force							
Labour Force Participation	75%	57%	65%	59%	64%	61%	65%
% Unemployed	3%	7%	5%	5%	5%	5%	5%
% Managers and Professionals	37%	30%	34%	35%	34%	33%	36%
% Other White Collar	32%	34%	33%	28%	31%	32%	34%
% Blue Collar Occupations	31%	36%	33%	38%	35%	35%	30%
Birthplace							
Australian Born	89%	84%	87%	93%	88%	89%	72%
Overseas Born	11%	16%	13%	7%	12%	11%	28%
• Asia	2%	4%	3%	1%	3%	2%	10%
• Europe	4%	4%	4%	4%	4%	6%	10%
• Other	4%	8%	6%	2%	5%	3%	8%

1. 'Other' Tenure Types have not been included.

2. The Affordable Housing Taskforce (established by the ACT Government) has defined people as having difficulty in accessing affordable housing if they are in the lowest two quintiles (lowest 40%) of income distribution and pay 30% or more of their gross household income in housing costs. This group is referred to as being in housing stress.

Source: ABS; Urbis



APPENDIX B

CURRICULUM VITAE

BRISBANE
GOLD COAST
MELBOURNE
PERTH
SYDNEY
CISTRI — SINGAPORE
An Urbis Australia company
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RHYS QUICK

DIRECTOR

“I find it exciting being involved from the early stages in significant property projects, watching as they develop and are finally delivered, ultimately changing the way people live, work and play.”

SERVICES

Economics
Research

SECTORS

Mixed Use
Retail
Tourism and Leisure

QUALIFICATIONS

Bachelor Economics, Hons
(Monash University)

AFFILIATIONS

Committee Member,
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Retail Committee.
Member, Victorian Planning
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Rhys Quick is an economic property consultant specialising in economic supply and demand analyses in the retail, entertainment and leisure, and mixed use sectors.

He has consulted for many of the major property groups in Australia and New Zealand, including shopping centre owners, retailers, entertainment providers and property developers in all sectors. He also has experience working with various government authorities in delivering significant infrastructure projects and community outcomes. He is expert at undertaking market demand studies, forecasting inputs to development feasibility, and assessing the economic impact of new developments.

Since he joined Urbis in 1999, Rhys has been a key consultant on the development of the Chadstone Shopping Centre; this work is a long-term highlight of his career. Other achievements include advising on the 10-year, \$11 billion Melbourne Metro Rail Project and delivering the industry standard Urbis Shopping Centre Benchmarks on an annual basis. Rhys also regularly acts as economic expert witness before Victorian planning tribunals and panels, and the Victorian Commission for Gambling and Liquor Regulation.

PROJECTS

Chadstone Shopping Centre
Development Potential
Melbourne Metro Rail Project
Business Case Development
Monash Employment Cluster
Land Study
Melbourne Level Crossing
Removal Value Capture
Opportunities
Old Royal Adelaide Hospital
Mixed Use Redevelopment



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