



Review of Shepparton North Retail Proposal

Prepared for Greater Shepparton City
Council
July 2016 and Updated February 2017

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EXECUTIVE SUMMARY

This report was commissioned by Greater Shepparton City Council in June 2016 to peer review a report prepared by MacroPlan Dimasi, titled: Shepparton North Neighbourhood Centre, Economic Impact Assessment, June 2016. This report was updated in February 2017 to account for changes in a revised MacroPlan Dimasi report issued in January 2017.

The MacroPlan Dimasi report provides an assessment to support a retail development proposal for a site located near the corner of Ford Road and Goulburn Valley Highway. The proposal is for development of a Woolworths supermarket, specialty shops and community facilities. Overall, 5,990sqm of retail space is proposed, including a 3,960sqm supermarket.

The conclusions of this peer review are as follows.

- Conclusion 1 – The development proposal complies with Council policy as shown in the Commercial Activity Centres Strategy (CACS), in terms of role, size and location.
- Conclusion 2 – The retail floorspace proposed in the Shepparton North Subregion is reasonable and fits within the retail hierarchy, which is defined by the Shepparton CBD as the primary centre.
- Conclusion 3 – The proposed development would expand the range of jobs, services and goods offered in the northern growth area and will facilitate competition for the benefit of the population.
- Conclusion 4 – The proposed development’s trading impacts are:
 - Likely to be concentrated on other supermarkets, but the impacts are considered reasonable; and
 - Unlikely to have significant negative impacts on speciality stores or speciality stores in the Shepparton CBD.
- Conclusion 5 – In terms of location, the proposed development would ideally be co-located with the existing Commercial 1 Zone but this is difficult to achieve because of lot configuration and land ownership patterns.
- Conclusion 6 – The design of the proposed centre provides a response to a challenging lot, which benefits from two street frontages but lacks an absolute corner position.

1 INTRODUCTION

Background

The Shepparton North activity area currently functions as a neighbourhood activity centre. An existing IGA supermarket (refer Figure 1) operates in the area and comprises approximately 4,000sqm of floorspace. The supermarket occupies a prominent site which is of strategic importance having regard to its accessibility from the northern areas of urban Shepparton and from rural and regional areas to the north and north-west.

Figure 1 - Fairleys SUPA IGA, 177-193 Numurkah Road, Shepparton



Source: Google StreetView

The City of Greater Shepparton has recently prepared a Commercial Activity Centres Strategy (CACS). CACS identifies that the role of the Shepparton North area can be enhanced over time through the expansion of retail and commercial facilities. This is consistent with the IGA supermarket site having been issued a permit in 2012 for an additional 4,000sqm of retail floorspace (which has not yet been acted upon).

Council has recently received a separate application for development of a new Woolworths supermarket in the Shepparton North area. The proposal is supported by an Economic Impact Assessment (EIA) prepared by MacroPlan Dimasi.

Purpose

This report was commissioned by Greater Shepparton City Council in June 2016 to peer review the EIA prepared by MacroPlan Dimasi, titled: Shepparton North Neighbourhood Centre, Economic Impact Assessment, June 2016. This report was updated in February 2017 to

account for changes in a revised MacroPlan Dimasi report issued in January 2017.

The objective is to assess whether the proposal is reasonable from a retail and activity centre economics perspective for both the Shepparton North area and the broader activity centre network in the town including the Shepparton CBD.

Report Structure

This report is structured as follows:

- Section 2 - Study Area;
- Section 3 - Development Proposal;
- Section 4 - Review of Sustainability;
- Section 5 – Review of Impacts;
- Section 6 - Review of Location and Design; and
- Section 7 - Conclusions.

2 STUDY AREA

Study Area Location

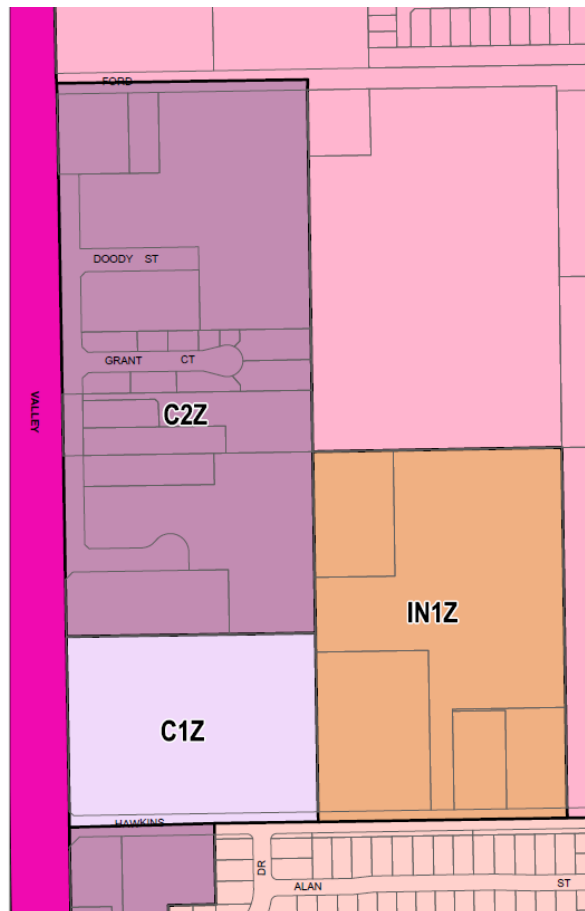
The study area is Shepparton North, with a focus on the area fronting the Goulburn Valley Highway between Ford Road in the north and Hawkins Street in the south.

This location has a strategic Goulburn Valley Highway frontage, which is a gateway into and out of Shepparton. The area is located near residential growth areas in northern Shepparton.

The area has an existing neighbourhood centre with large supermarket and limited range of local shops. The supermarket site is zoned Commercial 1 Zone, as shown in Figure 2 below.

The area immediately north of the Commercial 1 Zone, and a broader precinct in Shepparton North that is zoned Commercial 2 Zone, includes a range of activities including bulky goods retail, trade supplies and motor vehicle and machinery sales and services.

Figure 2 – Zoning in Shepparton North Area of Interest



Source: Planning Schemes Online

Commercial Activity Centres Strategy

The relevant policy is the City of Greater Shepparton Commercial Activity Centres Strategy, November 2015 (prepared by Essential Economics Pty Ltd in association with Spiire).

The Commercial Activity Centres Strategy (CACS) provides a strategic framework for retail and activity centres in the municipality. CACS has been adopted as Council policy.

The relevant location for this review is called Shepparton North in the CACS. The report notes that Shepparton North:

- Currently functions as a neighbourhood activity centre;
- Has an existing IGA supermarket of approximately 4,000sqm; and
- Has a limited supply of local shops with the report noting that the area has a lack of supporting speciality shops and other non-retail uses to support its current role.

The IGA supermarket site has a Planning Scheme floorspace cap of 8,000sqm.

The report notes that the Shepparton North activity centre is strategically located in terms of access from northern areas of urban Shepparton.

The location is within, but does not comprise part of, the Commercial 2 Zone enterprise corridor, which includes bulky goods retail, trade supplies and motor vehicle and machinery sales and services.

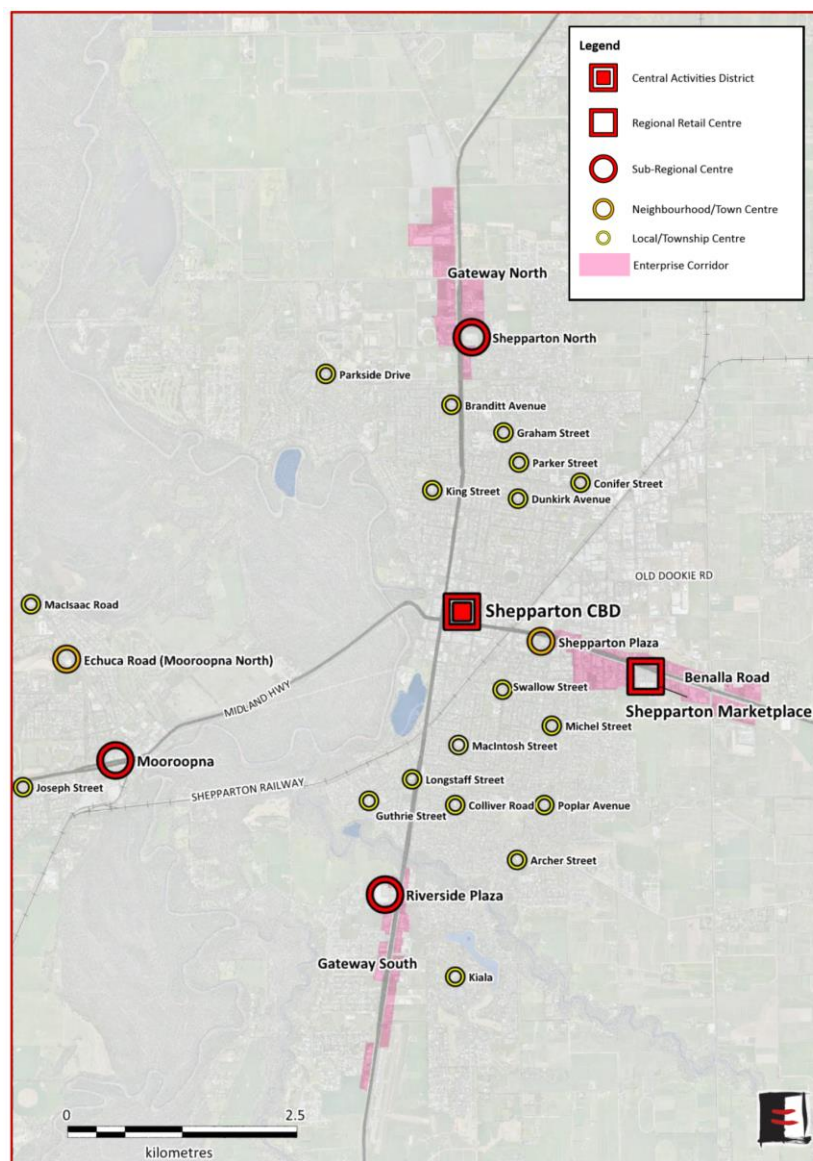
The report notes that the centre's patronage is primarily generated from the northern areas of urban Shepparton and from rural and regional areas to the north and north-west.

In terms of recommendations, the CACS defines an activity centre hierarchy as shown the following table and map extracts from the document. The Shepparton North study area is recommended to be designated as a subregional centre.

Figure 3 - Proposed Activity Centre Hierarchy Table and Map in CACS

Level in Hierarchy	No. of Centres in Shepparton	Centre
Shepparton Central Activities District	1	Shepparton CBD
Regional Retail Centre	1	Shepparton Marketplace
Sub-Regional Centre	3	Riverside, Mooroopna CBD, Shepparton North
Neighbourhood Centre or Town Centre	3	Echuca Road (Mooroopna North), Rowe Street East, Tatura
Local Centre or Township Centre	29	Branditt Ave, Graham St, Parkside Drv, King St, Dunkirk Ave, Conifer St, Parker St, Macintosh St, Swallow St, Michel St, Poplar Ave, Archer St, Colliver Rd, Guthrie St, Longstaff St, Kialla Lakes, Joseph St, MacIsaac Rd, St Georges Road, Murchison, Dookie, Toolamba, Tallygaroopna, Undera, Shepparton East, Lemnos, Congupna, Katandra West, Merrigum
Enterprise Corridor	3	Benalla Road, Gateway North, Gateway South

Source: Essential Economics



Source: Essential Economics with MapInfo and StreetPro

Note: Shepparton North a future sub-regional centre

Source: Greater Shepparton Commercial Activity Centres Strategy, November 2015

Specific recommendations for the Shepparton North Subregional Centre are as follows.

Table 1 - Summary of CACS Directions for Shepparton North

Selected Extracts and or Summaries of Passages
<p>Shepparton North must be enhanced over time through the expansion of retail and commercial facilities consistent with the centre’s sub-regional role in the Shepparton activity centre hierarchy.</p>
<p>Growth of the Shepparton North centre will consolidate an existing retail and commercial precinct, and generate community benefits related to shared infrastructure and business synergies.</p>
<p>Although retaining a contiguous area of land in the Commercial 1 Zone is a preferred outcome, the potential for expansion on other available sites in the area between Ford Road and Hawkins Street may be required to achieve the required growth in retail and commercial activity.</p>
<p>The expansion could include the addition of a second full-line supermarket and enhanced supporting retail (not including a major non-food retail anchor such as a discount department store).</p>
<p>In indicative terms, an increase of 6,000sqm in shop floorspace may be supported on land outside the existing Commercial 1 Zone at Shepparton North, which is sufficient to accommodate a second supermarket and supporting retail such as specialty shops. This should be subject to detailed assessment.</p>
<p>An appropriate site in the area fronting the Goulburn Valley Highway between Ford Road in the north and Hawkins Street in the south can be endorsed for this extension to the Commercial 1 Zone.</p>
<p>Develop an urban design framework that provides appropriate guidance on how the centre can develop in a manner that provides a high-level of amenity to shoppers.</p>
<p>Allow for the development of a small local centre in association with the new North-East residential growth area. This centre will meet local convenience needs only, and will not include uses (such as a full-line supermarket) that would be more appropriately located in the Shepparton North centre.</p>
<p>Discourage new shop tenancies above 4,000sqm in size in order to provide greater certainty to Council in terms of potential impacts on CBD associated with re-location of retail anchors.</p>
<p>Discourage cinema and cinema-based entertainment facilities.</p>

Source: Greater Shepparton Commercial Activity Centres Strategy, November 2015

3 DEVELOPMENT PROPOSAL

Proposed Development

A development proposal has been submitted for a site located near the corner of Ford Road and Goulburn Valley Highway, as shown in Figure 4 below.

The proposal is for development of a Woolworths supermarket, specialty shops and community facilities. The site is zoned Commercial 2 Zone.

Figure 4 – Location of Development Proposal (Extract from MacroPlan Dimasi Report)



Map 1.2: Shepparton North Site location



Source: Shepparton North Neighbourhood Centre, Economic Impact Assessment (MacroPlan Dimasi, February 2017)

The specifications of the proposal are as follows. Overall, 5,990sqm of retail space is proposed, including a 3,960sqm supermarket.

Figure 5 - Specification of Development Proposal (Extract from MacroPlan Dimasi Report)

Table 1.1 Shepparton North - Proposed composition	
Category	GLA (sq.m)
Supermarket	3,960
Specialty retail	<u>2,030</u>
Total retail	5,990
Medical	300
Council/community	<u>100</u>
Total centre	6,390

Source: Lascorp, MacroPlan Dimasi.

Source: Shepparton North Neighbourhood Centre, Economic Impact Assessment (MacroPlan Dimasi, February 2017)

4 REVIEW OF SUSTAINABILITY

Method Adopted

This section of the report provides an independent analysis of retail floorspace that can be sustained in Northern Shepparton. The analysis is focused on supermarket space and local shops.

The method adopted is as follows.

1. Identify the Primary Trade Area (PTA) for the Northern Shepparton Subregion and therefore the PTA of the proposed retail centre.
2. Identify the existing population within the PTA and projections to 2031 using forecast id data.
3. Using HillPDA's retail expenditure model, identify per capita retail spend in the area by retail commodity group, with a particular focus on the following shop types:
 - a) Supermarkets & Grocery Stores;
 - b) Specialty Food Stores;
 - c) Fast-Food Stores; and
 - d) Selected Personal Services.
4. From the above expenditure, determine the level of supportable floorspace that the PTA expenditure is likely to support between 2016 and 2031.
5. Estimate the share of PTA expenditure and floorspace that can be reasonably captured within the Northern Shepparton Subregion as a percentage of total expenditure, assuming that a significant share of subregional generated expenditure would flow to the Shepparton CBD. This is presented in a range of low and high scenarios.
6. Add a retail capture allowance from beyond the PTA, to account for passing trade.
7. Summarises the estimate of supportable floorspace between 2016 and 2031 for the Northern Shepparton Subregion.
8. Assess the proposal of the proponent as shown in the MacroPlan Dimasi report in the context of the independent analysis.

Primary Trade Area

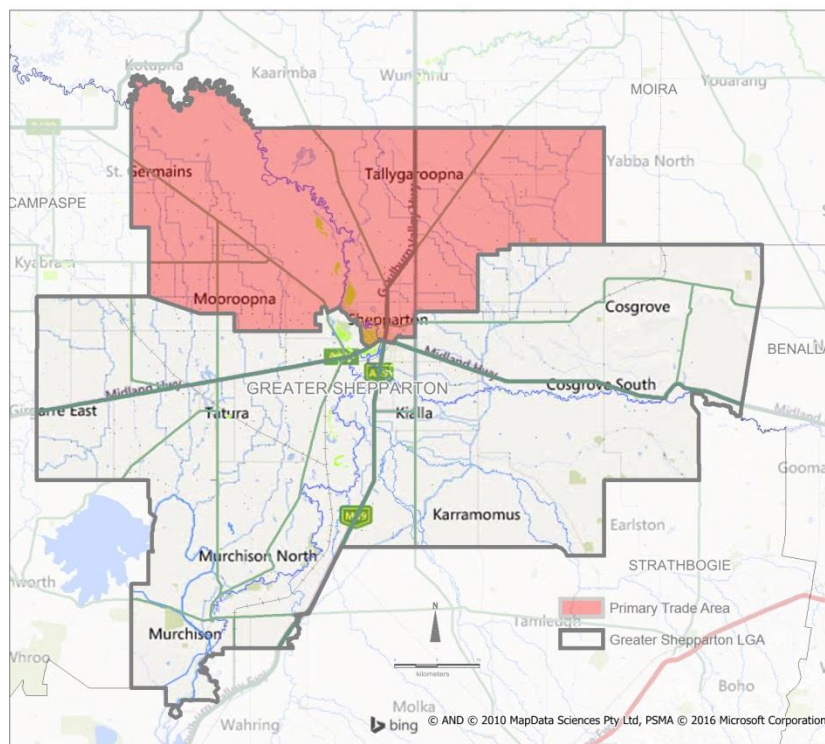
The PTA for the Northern Shepparton Subregion is defined to include the northern sector defined by the data areas shown in Table 2 below. Figure 6 below shows the PTA.

The definition implies that Greater Shepparton has four subregions with a CBD that serves all subregions.

Table 2 – Primary Trade Area (PTA) Northern Shepparton Subregion

Area	Sub-Regional Primary Trade Area
Urban Centre - Shepparton North Central	100%
Urban Centre - Shepparton North East	100%
Urban Centre - Shepparton North West	100%
Rural North	100%
Urban Centre - Shepparton Central	25%
Rural North West	50%
Shepparton Surrounds East	50%

Figure 6 - Primary Trade Area (PTA) Northern Shepparton Subregion



Population Conditions and Projections

The total population of the PTA as defined above is approximately 22,900 in 2016. The population is expected to increase to approximately 27,500 by 2031.

This is the sum of the data areas noted in the table above, which includes total population in four data areas and partial figures for three data areas.

Table 3 – Population Conditions and Projection in PTA

Year	2011	2016	2021	2026	2031
Population	21,215	22,844	24,356	25,904	27,422
Households	8,044	8,672	9,266	9,868	10,450
Dwellings	8,634	9,297	9,919	10,548	11,153

Source: Derived from Forecast id Greater Shepparton Online

Retail Expenditure

HillPDA's retail expenditure model provides local spending data to reflect socio-economic patterns of small areas across Australia. The data is used for the study area and suggests the following overall spending profile for the study area. This data assumes real growth in retail expenditure will increase by 0.8% per annum.

Table 4 – Per Capita Retail Spending, Greater Shepparton

YEAR	2016	2021	2026	2031
Food & Groceries	\$4,662	\$4,851	\$5,048	\$5,253
Liquor Take-Away	\$641	\$668	\$695	\$723
Take-Away Food	\$682	\$709	\$738	\$768
Apparel	\$1,128	\$1,174	\$1,222	\$1,272
Homewares & Manchester	\$263	\$274	\$285	\$296
Bulky Goods	\$1,965	\$2,044	\$2,128	\$2,214
Other Goods	\$1,644	\$1,711	\$1,780	\$1,853
Personal Services	\$338	\$352	\$366	\$381
Liquor Consumed On Premises	\$244	\$254	\$264	\$275
Meals in Pubs, Clubs, Restaurants	\$649	\$675	\$702	\$731
TOTAL	\$12,215	\$12,712	\$13,229	\$13,766

Total Expenditure and Floorspace Supported by Northern Shepparton Subregion

The population in the Northern Shepparton Subregion is estimated to generate \$279.0m in retail expenditure in 2016. Taking into account anticipated growth in the population and real growth in spending over time, the future estimate of retail expenditure from the area is \$309.6m in 2021 and \$377.5m in 2031.

This spending is generated by the area and captured by shops across the retail economy including locally, the Shepparton CBD and other locations around Australia.

The total supportable floorspace for all shop types is estimated to be 49,800sqm in 2016 increasing to approximately 55,200sqm in 2021 and 64,100sqm in 2031. This assumes the floorspace performs to industry averages.

As noted above, only a share of this floorspace is captured by subregional shops. Much of it would be captured in the Shepparton CBD and other locations in addition to the local area.

Table 5 – Total Expenditure and Floorspace Supported by the Primary Trade Area (PTA)

YEAR	2016	2021	2026	2031
No. of Residents	22,844	24,356	25,904	27,422
Food & Groceries	\$106,486,418	\$118,151,761	\$130,768,676	\$144,058,432
Liquor Take-Away	\$14,652,735	\$16,257,909	\$17,994,020	\$19,822,716
Take-Away Food	\$15,570,967	\$17,276,731	\$19,121,638	\$21,064,932
Apparel	\$25,775,051	\$28,598,649	\$31,652,575	\$34,869,362
Homewares & Manchester	\$6,006,831	\$6,664,865	\$7,376,578	\$8,126,244
Bulky Goods	\$44,878,182	\$49,794,484	\$55,111,821	\$60,712,724
Other Goods	\$37,553,633	\$41,667,547	\$46,117,044	\$50,803,826
Selected Personal Services	\$7,724,159	\$8,570,323	\$9,485,510	\$10,449,503
Liquor Consumed On Premises	\$5,578,306	\$6,189,397	\$6,850,336	\$7,546,521
Meals in Pubs, Clubs, Restaurants	\$14,817,027	\$16,440,199	\$18,195,776	\$20,044,976
TOTAL EXPENDITURE	\$279,043,310	\$309,611,865	\$342,673,974	\$377,499,236
TOTAL SUPPORTABLE FLOORSPACE	49,721	55,168	61,059	64,082

Capture Rates for Supermarkets and Local Shop Space in Northern Shepparton Subregion

The next step in the assessment is to identify a fair and reasonable share of floorspace that can be or should be captured within the Northern Shepparton Subregion.

Existing retail conditions provide a hierarchy of centres in the municipality, which is defined by the Shepparton CBD as the primary centre. The CBD is supported by a subregional network of local and subregional centres and bulky goods nodes. The CACS recognises and supports this hierarchy.

Based on industry benchmarks and this policy framework, the following retail capture rates are adopted for the assessment of the Northern Shepparton Subregion.

Two capture rate scenarios are shown – low and high. The rates are the assumed share of spending captured locally in net terms. For example, for supermarkets, the adopted rates are 25% to 50%. This means that in the low scenario 1 in 4 dollars spent on supermarkets by residents in the PTA will be captured by a supermarket in the PTA, with 3 in 4 dollars of local resident generated spend being captured by supermarkets in other locations, such as the CBD. In the high scenario the capture rate is 1 in 2 dollars. The capture rates for local shop retail categories are 30% to 60%.

Table 6 – Assumed Capture Rates for Centres in Primary Trade Area (PTA)

Shop Type	Market Share – Low Scenario	Market Share – High Scenario
Supermarkets & Grocery Stores	25%	50%
Specialty Food Stores	30%	60%
Fast-Food Stores	30%	60%
Selected Personal Services	30%	60%

Shop types not considered in this assessment are:

- Restaurants, Hotels and Clubs;
- Department Stores;
- Clothing Stores;
- Bulky Goods Stores; and
- Other Personal & Household Goods Retailing.

Supportable Supermarket and Local Shop Space in Northern Shepparton Subregion Excluding Passing Trade

The table below shows the results of supportable floorspace with the above noted capture rate assumptions but excluding an allowance for passing trade from areas beyond Greater Shepparton.

This suggest that in **2016** (rounded up to the nearest 100sqm):

- Supportable supermarket space is between 2,300sqm and 4,600sqm; and
- Supportable local shop space is between 1,900sqm and 3,800sqm.

This suggest that in **2021**:

- Supportable supermarket space is between 2,600sqm and 5,100sqm; and
- Supportable local shop space is between 2,100sqm and 4,200sqm.

This suggest that in **2031**:

- Supportable supermarket space is between 2,900sqm and 5,800sqm; and
- Supportable local shop space is between 2,500sqm and 5,000sqm.

Table 7 – Supportable Supermarket and Local Shop Floorspace in Primary Trade Area (PTA) Excluding Passing Trade

Supportable Floorspace with Low Capture Rate				
YEAR	2016	2021	2026	2031
Supermarkets & Grocery Stores	2,259	2,507	2,774	2,891
Specialty Food Stores	639	709	785	817
Fast-Food Stores	589	654	724	754
Selected Personal Services	662	735	813	896
TOTAL	4,149	4,604	5,096	5,358
Supportable Floorspace with High Capture Rate				
YEAR	2016	2021	2026	2031
Supermarkets & Grocery Stores	4,519	5,014	5,549	5,782
Specialty Food Stores	1,278	1,418	1,569	1,635
Fast-Food Stores	1,178	1,308	1,447	1,508
Selected Personal Services	1,324	1,469	1,626	1,791
TOTAL	8,299	9,208	10,191	10,716

Supportable Supermarket and Local Shop Space in Northern Shepparton Subregion Including Passing Trade

The table below shows the same analysis but includes an allowance for passing trade, from beyond Greater Shepparton. The adopted allowance is +20% additional spending from passing trade.

This suggest that in **2016** (rounded up to the nearest 100sqm):

- Supportable supermarket space is between 2,800sqm and 5,500sqm; and
- Supportable local shop space is between 2,300sqm and 4,600sqm.

This suggest that in **2021**:

- Supportable supermarket space is between 3,100sqm and 6,100sqm; and
- Supportable local shop space is between 2,600sqm and 5,100sqm.

This suggest that in **2031**:

- Supportable supermarket space is between 3,500sqm and 7,000sqm; and
- Supportable local shop space is between 3,000sqm and 6,000sqm.

Table 8 – Supportable Supermarket and Local Shop Floorspace in Primary Trade Area (PTA) Including Passing Trade

Supportable Floorspace with Low Capture Rate				
YEAR	2016	2021	2026	2031
Supermarkets & Grocery Stores	2,711	3,008	3,329	3,469
Specialty Food Stores	767	851	941	981
Fast-Food Stores	707	785	868	905
Selected Personal Services	794	882	976	1,075
Total	4,979	5,525	6,115	6,429
Supportable Floorspace with High Capture Rate				
YEAR	2016	2021	2026	2031
Supermarkets & Grocery Stores	5,422	6,016	6,659	6,938
Specialty Food Stores	1,533	1,701	1,883	1,962
Fast-Food Stores	1,414	1,569	1,737	1,809
Selected Personal Services	1,589	1,763	1,951	2,150
Total	9,959	11,049	12,229	12,859

Existing Floorspace in Northern Shepparton Subregion

Existing floorspace in the Northern Shepparton Subregion is estimated as follows:

- Supermarket at Fairleys IGA - Approximately 4,000sqm gross space, which may be around 3,600sqm net leasable area (to be confirmed);
- Local shops at Fairleys IGA - Approximately 300sqm of local shop space (to be confirmed); and
- Seven other local shop nodes are located in the PTA, generally in Shepparton's northern suburbs. In total, these may accommodate 2,800sqm of local shop space in total (assuming 400sqm on average each).

Table 9 – Estimate of Existing Supermarket and Local Shop Floorspace in Primary Trade Area (PTA)

Location	Floorspace (sqm)
Supermarket - Fairleys IGA	3,600
Local Shops - Fairleys IGA	300
Local Shops - Other Locations in PTA	2,800
TOTAL EXISTING	6,700

Proposed Additional Floorspace in Northern Shepparton Subregion

The MacroPlan Dimasi report identifies the following additional floorspace proposal for the Northern Shepparton Subregion, being 3,960sqm of additional supermarket space and an additional 2,030sqm of local shop space.

Table 10 – Proposed Additional Supermarket and Local Shop Floorspace in Primary Trade Area (PTA)

Location	Floorspace (sqm)
Supermarket	3,960
Local Shops	2,030
TOTAL ADDITIONAL PROPOSED	5,990
<i>Additional Proposed Non-Retail</i>	<i>400</i>

Source: Shepparton North Neighbourhood Centre, Economic Impact Assessment (MacroPlan Dimasi, February 2017)

Total Existing and Proposed Space in Relation to Supportable Space

The time horizon of immediate relevance in this assessment is 2016 to 2021, assuming the proposed new retail supply would be operational by approximately 2018.

In terms of overall space, the analysis suggests that the proposed provision is generally in line with the upper end estimate of need in the area. See Tables 11 and 12 below.

The proposed provision of local shops is within the margins of acceptability, noting that the analysis assumes between 40% and 60% of demand for such uses would be captured elsewhere, such as the Shepparton CBD.

On face value, the overall quantum of supermarket space proposed is on the high side, with the 2021 estimate generated for this review showing a need for approximately 6,100sqm – thus nominally 1,500sqm of supermarket space above short term needs is proposed to be provided.

Despite this, the overall figure is considered to be within a reasonable margin of assessed need, as these figures provide an order of magnitude guide as opposed to an exact figure.

If the assessed demand figures operate in the real world over time, the proposed additional supermarket could operate viably and have the following impacts:

- Both the proposed development and the Fairley IGA could operate at marginally below benchmark industry trading levels (assumed to be \$11,000 / sqm in this assessment). Indeed, this is assumed in the MacroPlan Dimasi report; or
- The supermarkets could operate at industry average rates by capturing more share than estimated in this assessment, from within and beyond the municipality.

The two tables below summarise the analysis.

Table 11 – Total Existing and Proposed Supermarket and Local Shop Floorspace in Primary Trade Area (PTA)

Location	Floorspace (sqm)
Supermarket	7,560
Local Shops	5,130
TOTAL EXISTING AND PROPOSED	12,690

Table 12 – Estimate of Total Supportable Supermarket and Local Shop Space in Primary Trade Area (PTA)

YEAR	2016		2021		2026		2031	
SCENARIO	Low	High	Low	High	Low	High	Low	High
Supermarket sqm	2,711	5,422	3,008	6,016	3,329	6,659	3,469	6,938
Local Shops sqm	2,268	4,536	2,517	5,033	2,785	5,571	2,960	5,921
TOTAL SQM	4,979	9,959	5,525	11,049	6,115	12,229	6,429	12,859

Review of MacroPlan Dimasi Report

The MacroPlan Dimasi report provides analysis to support the proposed development. The main features of the analysis are as follows.

- Trade Area - A large trade area is selected which is not unreasonable. The nominated trade area would serve Shepparton North and other locations including the Shepparton CBD.
- Trade Area Population – The figures shown in the MacroPlan Dimasi report are generally consistent with the figures identified in the independent analysis of this report.
- Retail Expenditure - The figures shown in the MacroPlan Dimasi report are generally consistent with the figures used in the independent analysis of this report.
- Supportable Floorspace – Supportable floorspace at the location is presented in terms of proposed floorspace mix as noted in development proposal.
- Total Potential Sales – The report assumes the centre will achieve \$41m in sales which equates to an average retail floorspace density figure of \$6,845 / sqm per annum. This is in line with industry averages.
- Potential Supermarket Sales - It is assumed the supermarket will trade at \$8,333 / sqm per annum with total sales of \$33m. This is at the low end of a reasonable range and as such may marginally

inflate the need for space at the location. Nevertheless, the figure is within a reasonable range.

Overall, the analysis of retail need as shown in the MacroPlan Dimasi report is considered reasonable and consistent with the CACS and independent analysis shown in this peer review report.

5 REVIEW OF IMPACTS

Method Adopted

This section of the report reviews the potential impacts of the proposed development on surrounding centres, with a focus on the Shepparton CBD.

The CACS specifically notes a policy to “discourage the allocation of additional retail floor space in the Shepparton North Activity Centre until there is evidence that this will not have a detrimental effect on the CBD ...”

The method adopted is to review the impact analysis shown in the MacroPlan Dimasi report, focusing on supermarkets and local shops.

Impact Analysis in MacroPlan Dimasi Report

The report notes that the proposed centre would capture a share of total sales generated from the trade area, similar to the independent analysis of this report.

The assumed impacts in the MacroPlan Dimasi report are shown in Figure 7 below.

Figure 7 – Impact Analysis in MacroPlan Dimasi Report

Centre	Est. sales 2014/15	Estimated 2017/18		Impact 2017/18		Change 2015-18 (%)		Estimated 2022/23		Change 2015-23 (%)	
		No dev't	With dev't	\$M	%	No dev't	With dev't	No dev't	With dev't	No dev't	With dev't
Within trade area											
Shepparton North	37	40.0	35.8	-4.2	-10.5%	8.2%	-3.2%	45.7	40.9	23%	11%
Numurkah	31	32.2	31.0	-1.2	-3.7%	3.8%	-0.1%	34.4	33.2	11%	7%
Total within trade area	68	72.2	66.8	-5.4	-7.5%	6.2%	-1.8%	80.1	74.0	18%	9%
Beyond trade area											
Shepparton CBD	408	440.6	419.6	-21.0	-4.8%	8.0%	2.9%	500.9	477.1	23%	17%
Shepparton Marketplace	112	121.0	113.8	-7.2	-6.0%	8.0%	1.6%	137.5	129.3	23%	15%
Shepparton Plaza	49	52.9	49.5	-3.4	-6.4%	8.0%	1.1%	60.2	56.3	23%	15%
Other	n.a	n.a	n.a	-4.0	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Total beyond	n.a	n.a	n.a	-35.6	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Total impacts				-41.0							

*Constant 2014/15 dollars & including GST
Source: City of Greater Shepparton Commercial Activity Centres Strategy, July 2015; MacroPlan Dimasi

Source: Shepparton North Neighbourhood Centre, Economic Impact Assessment (MacroPlan Dimasi, February 2017)

The focus of the impact analysis is on a total dollar value for 2017/18 and 2022/23 conditions with and without the proposed development.

Whilst the general scale of impacts shown for the year 2017/18 is considered reasonable, it is not clear how the MacroPlan Dimasi

report's indicative impact apportionment assumptions have been derived.

As at 2017/18, the top three centres to be impacted are nominated as:

- -\$21m impact on the Shepparton CBD;
- -7.2m impact on Shepparton Marketplace; and
- -\$4.2m impact on the IGA centre.

By 2022/23, with anticipated growth in the overall market based on population growth and increases in real spending per capita, all negative impacts are estimated to be eliminated. The impacted centres are estimated to have roughly the same market or a bigger market to draw upon by that time.

Impact on IGA Centre

It is possible that the actual scale of initial impact on the IGA centre could be higher - and the impacts elsewhere lower - as at 2017/18. A number of alternative scenarios are possible for 2017/18 conditions.

The actual impact on the IGA centre will depend on the appeal of shops to customers, in terms of accessibility, amenity and quality of goods and services provided.

Whilst the 2017/18 impact estimate presented by MacroPlan Dimasi may be queried, the overall findings of that report are accepted in this review, that is:

- There will be an immediate impact on the IGA centre;
- That trading conditions will improve post 2017/18 as the trade area population grows;
- That the trade area can support two supermarkets with local shops; and
- That the proposed development will not present a real risk of closure of the IGA centre.

On the positive impact side, the development would expand the range of jobs, services and goods offered in the northern growth area and facilitate competition for the benefit of the population.

Impact on Shepparton CBD

To address the impact on the CBD, the MacroPlan Dimasi report provides an impact estimate figure of -\$21m for the 2017/18 year. This is based on the CBD generating approximately \$440.6m without

the Shepparton North retail development but \$419.6m with the development as at 2017/18.

By 2022/23, the MacroPlan Dimasi report estimates that the CBD could achieve approximately \$477.2m with the Shepparton North retail development. This suggests the CBD can absorb the initial negative impact.

To consider the issue further, the following review considers the impact on retail overall, supermarkets and local shops.

Retail Overall

The overall retail hierarchy would not be compromised by the proposed development. The proposal does not include a department store or discount department store, which could challenge the role of the CBD if proposed.

Furthermore, the space proposed in Shepparton North would capture a share of supermarket and local shop demand generated from the Northern Shepparton Subregion. Some locally generated demand would flow to other centres including the CBD.

Impacts on CBD Supermarkets

As noted above, a -\$21m initial impact on the CBD is considered to be at the high end of a reasonable range. This estimate is for retail trading overall.

Assuming 80% of this figure impacts supermarket stores, the initial results on CBD supermarkets would be an impact of around -\$16.8m. The CBD has two supermarkets and a collection of other grocery stores. Assuming each supermarket takes a 33% share of this initial impact, the reduction of turnover could be in the vicinity of -\$5.6m, which diminishes over time as the market grows. This scale of short term impact does not generate a risk of supermarket store closures in the CBD.

The actual impact is likely to be less in the first instance than shown above, as the new Shepparton North supermarket would trade up to its potential over a period of time. During this time the broader Shepparton market would grow and off-set the impact on the CBD supermarkets to some extent.

Impacts on Local Shops in the CBD

The independent assessment undertaken for this report suggests that demand for local shops, generated by the Northern Shepparton

Subregion, will be around 4,900sqm by 2021. The development proposal generally aligns with this local need.

The assessment of local need shown in this report assumes that the Northern Shepparton Subregion would capture up to 60% of local demand for Specialty Food Stores, Fast-Food Stores and Selected Personal Services – with the remained of the demand captured elsewhere including the CBD.

In addition to that assumption, the analysis assumes that all of the demand for other local shop categories - such as Clothing Stores and Other Personal & Household Goods Retailing - would be captured elsewhere, with the most likely prominent candidate for this capture being the CBD.

Another way of considering the issue is via assessment of the impact analysis in the MacroPlan Dimasi report. Using that analysis as a guide, it is estimated that the initial impact on local shops in the CBD could be around -\$4.2m (being 20% of the -\$21m). This impact diminishes with growth in the overall retail market over time.

A -\$4.2m impact would be spread across numerous shops in the CBD – possibly spread across 40,000sqm of space. This scale of impact would be comfortably absorbed by the CBD.

6 REVIEW OF LOCATION AND DESIGN

Location

The proposed centre is well located but not ideally located.

The proposed development site is located approximately 500 metres to the north of the existing IGA supermarket / Commercial 1 Zone, meaning that most people would not walk between the two retail nodes in the location.

Ideally, the proposed development would be co-located with the existing IGA supermarket / Commercial 1 Zone so as to maximise co-location benefits for customers. Being co-located would mean that customers could easily walk to all shops and services in one location.

Retail facilities that are co-located can perform better than separated facilities by making the location more, rather than less, appealing to customers.

Furthermore, Council can make infrastructure and community facility investments in a location that is well patronised by a large share of the subregional population.

Despite the fact the proposed retail facility is not co-located with the existing retail centre, it does meet some key criteria.

The proposed development is located within the area nominated in the CACS for a subregional centre and expansion of retail facilities. Also, the proposed location has two street frontages, being Goulburn Valley Highway and Ford Road.

Potential for Co-location

Whilst desirable, the potential to co-locate the proposed Woolworths centre with the IGA centre appears difficult to achieve on face value.

The IGA site is approximately 4.5ha of which approximately 2ha is occupied by the IGA centre. The remaining 2.5ha or so is in an 'L' shape and (at least in part) earmarked for future development by the IGA centre. For competitive reasons, the land is unlikely to be become available for the Woolworths centre.

The site immediately to the north of the IGA site is occupied by a warehouse retailer of caravans and boats. The land is subdivided around a cul-de-sac.

The IGA site context is shown in Figure 8 below.

Figure 8 – IGA Site Context: Aerial Photo and Cadastre (Not to Same Scale)



Source: Nearmap and Land Channel

Design

The proposed centre design is shown in Figure 9 below.

The site is irregular in shape, and has a major disadvantage by not including the absolute corner lot of Goulburn Valley Highway and Ford Road within the retail centre site. This makes location of the retail building challenging, with all options being sub-optimal to some extent.

The selected location pushes the retail facility to the rear of the lot, which from a retail perspective provides some exposure to both Goulburn Valley Highway and Ford Road.

A new internal road off Goulburn Valley Highway is proposed, which would provide improved access to the site.

The design can be described as main road and car-based, with car parks dominating the immediate street frontages of the site.

It is not immediately clear how the design can be improved at this challenging site.

Figure 9 – Design Concept of Development Proposal (Extract from MacroPlan Dimasi Report)



Shepparton North Neighbourhood Centre, Economic Impact Assessment (MacroPlan Dimasi, February 2017)

7 CONCLUSIONS

The conclusions of this peer review are as follows.

Conclusion 1 – The development proposal complies with Council policy as shown in the CACS in terms of role, size and location.

The centre is located within a designated precinct for a subregional centre and proposes retail floorspace size and mix that is consistent with policy.

Conclusion 2 – The retail floorspace proposed in the Shepparton North Subregion is reasonable and fits within the retail hierarchy, which is defined by the Shepparton CBD as the primary centre.

The conclusion of an independent retail economics assessment undertaken for this report is:

- Overall retail space proposed – acceptable;
- Local shop space proposed – acceptable; and
- Supermarket space proposed – higher than needed but within a reasonable margin.

Conclusion 3 – The proposed development would expand the range of jobs, services and goods offered in the northern growth area and will facilitate competition for the benefit of the population.

Over the next 15 years, there may be a need for more local shop or speciality retail space in the Northern Shepparton Subregion. This should be provided so as to better meet the needs of the subregional population. Additional local shop uses can be accommodated at the existing IGA supermarket site within existing planning controls.

The need for more than two supermarkets in the Northern Shepparton Subregion is unlikely to be needed within a 2031 timeframe.

Conclusion 4 – The proposed development’s trading impacts are:

- **Likely to be concentrated on other supermarkets, but the impacts are considered reasonable; and**
- **Unlikely to have significant negative impacts on speciality stores or speciality stores in the Shepparton CBD.**

The proposed development will have trading impacts on the IGA entre and Shepparton CBD, however the scale of the possible impacts is considered acceptable and will not present a real risk of closure of the IGA centre or CBD stores.

Conclusion 5 – In terms of location, the proposed development would ideally be co-located with the existing Commercial 1 Zone but this is difficult to achieve because of lot configuration and land ownership patterns.

In terms of location, the proposed centre is well located but not ideally located. Ideally, the proposed development would be co-located with the existing IGA supermarket / Commercial 1 Zone so as to maximise co-location benefits for customers. Whilst co-location would be desirable, the reality of this being achieved appears limited due to lot configuration and land ownership patterns.

Despite the above point, the proposed development location near the corner of Goulburn Valley Highway and Ford Road is consistent with Council policy and has two main road frontages and is thus feasible.

Conclusion 6 – The design of the proposed centre provides a response to a challenging lot, which benefits from two street frontages but lacks an absolute corner position.

The design of the proposed centre can be described as main road and car-based, with car parks dominating the immediate street frontages of the site. The site is irregular in shape, with the main constraint to an alternative design outcome being the inability to use the absolute corner lot of Goulburn Valley Highway and Ford Road for the retail buildings. The proposed internal road off Goulburn Valley Highway would improve access to the site.

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