

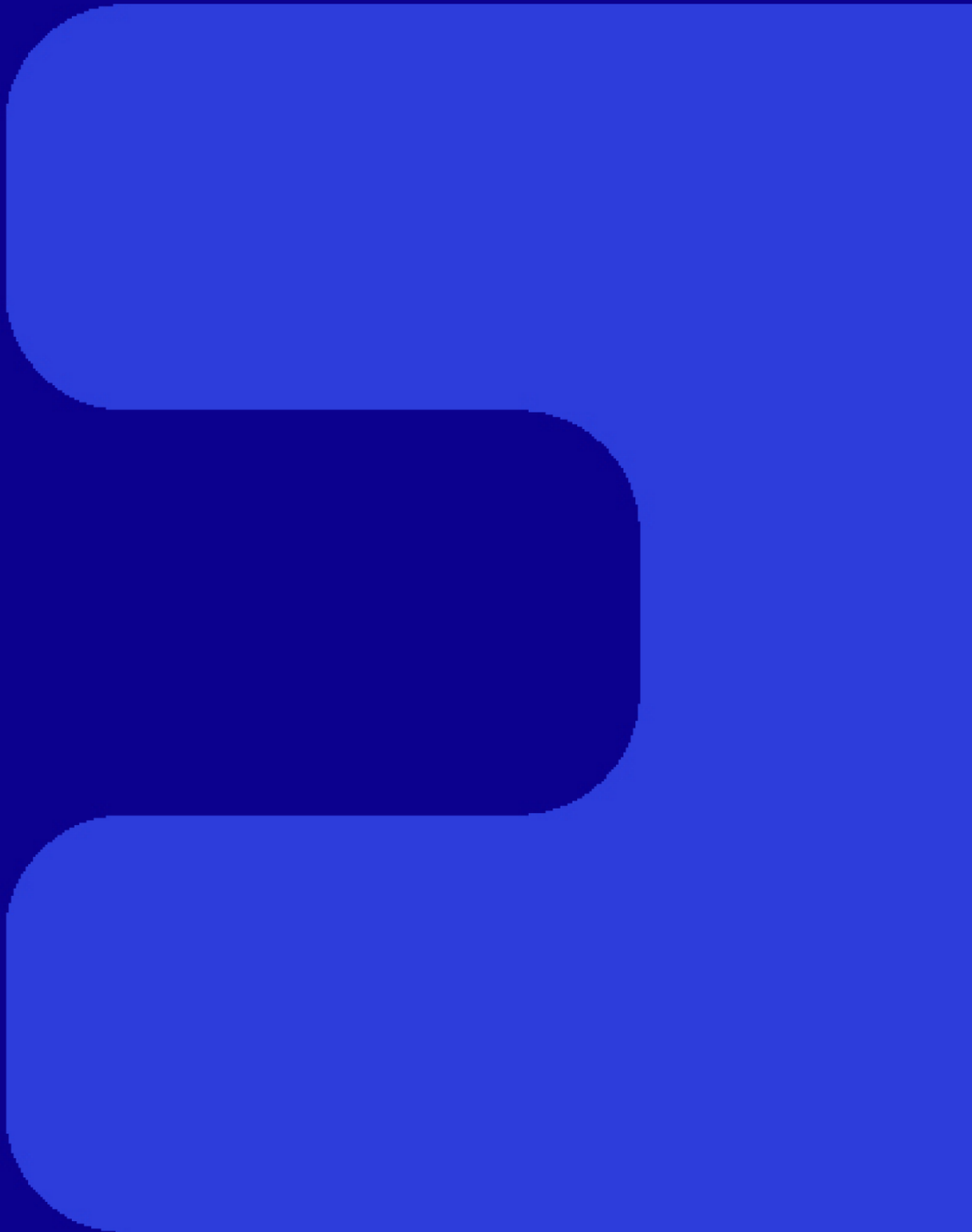
# Attachment A2

## Retail Needs and Economic Impact Assessment

# Woolworths Waterloo

Retail Needs and Economic Impact Assessment

Fabcot Pty Ltd



## Addendum – Retail Needs and Economic Impact Assessment

<b>Date:</b>	31 August 2022
<b>Project Name:</b>	Woolworths Waterloo Retail Needs and Economic Impact Assessment
<b>Prepared for</b>	Fabcot Pty Ltd

In November 2021, this office prepared a Retail Needs and Economic Impact Assessment in support of a Planning Proposal for 923-935 Bourke Road, Waterloo. The report initially considered a mixed use project with an indicative scheme comprising 5,586m<sup>2</sup> of retail floorspace (including a major full-line supermarket), commercial floorspace and 124 residential apartments.

Following assessment by the City of Sydney, a revised mixed use indicative scheme is now proposed in conjunction with the revised August 2022 Planning Proposal, comprising:

- 4,870m<sup>2</sup> of retail floorspace GFA (Gross Floor Area), including a full-line supermarket of 3,200m<sup>2</sup> GFA
- 2,025m<sup>2</sup> of commercial GFA
- 121 residential apartments.

The revised scheme reflects a slightly reduced development yield compared to the previous proposal, with the most significant change being a reduction in the retail floorspace, predominately from the proposed supermarket.

This letter presents an addendum that summarises key updates to the original November 2021 Retail Needs and Economic Impact Assessment, and highlights key findings based on the revised indicative development scheme planned in the August 2022 Planning Proposal.

As the original assessment was prepared in November 2021, and the revised scheme proposes minor updates to the overall development scheme (predominately in relation to a reduced supermarket), it is considered that changes to the November 2021 report will be relatively minor, and that retail impacts will in fact be lower reflecting the reduced size of the proposed supermarket. Overall, however, the amended development scheme outlined in the August 2022 Planning Proposal will result in similar economic impacts (and benefits) to those presented in the November 2021 assessment.

It should be noted that in the absence of available Gross Leasable Area (GLA) figures for the August 2022 Planning Proposal, for the purposes of this assessment, GFA figures have been adopted (excluding lobbies and circulation areas) in order to assess economic impacts and benefits of the proposal.

In response to the amended August 2022 Planning Proposal, key updates to the November 2021 assessment are now summarised.

### **Part 2: Retail Needs Assessment**

Key updates to the development description and projected sales have been revised in this section of the assessment including:

- **Section 4.3: Planning Proposal**

Updated to reflect the revised development scheme summarised as follows:

- A full-line supermarket of 3,200m<sup>2</sup> in GFA
- 1,670m<sup>2</sup> of specialty/supporting retail GFA (inclusive of circulation and lobbies)
- 2,025m<sup>2</sup> of commercial GFA (inclusive of circulation and lobbies)
- 121 residential apartments

Excluding circulation and lobbies, the assumed floor area for the supermarket is 3,200m<sup>2</sup> (including supermarket back of house), while retail specialty floorspace is planned to be 1,260m<sup>2</sup>, resulting in retail floorspace for the proposed development totalling some 4,460m<sup>2</sup>.

- **Section 8.3:** Updated projected supermarket sales to reflect a revised supermarket size of 3,200m<sup>2</sup> (GFA) currently proposed. Supermarket sales are now projected at \$38.4 million in 2025/26.

- **Section 8.4:** Updated projected total sales to reflect a revised total retail GFA of 4,460m<sup>2</sup> currently proposed. Total retail sales are now projected at \$48.5 million in 2025/26.

### **Part 3: Economic Impact Assessment**

In response to the revised development scheme, impacts (and benefits) have been updated throughout this section of the assessment.

The proposal with a reduced supermarket size, and overall smaller provision of retail floorspace, ultimately results in reduced sales projections, and therefore lower associated impacts across the retail network (compared to the original November 2021 assessment).

Following the update, conclusions from the Economic Impact Assessment remain similar including:

- The result from the impact assessment indicates that all potential impacts as a result of the proposed Woolworths Waterloo development are well within the normal competitive range of less than 10%. The impact across the local retail network as a result of the proposed development is estimated at -4.0%.
- The projected annual retail sales growth rate across the main trade area (MTA) is estimated at +4.1% per annum and as such, any potential impact is likely to be in the short term only, with all impacts projected to be absorbed within 1-2 years, reflecting the strong growth in the market.
- A review of projected impacts show that even with the assumed Woolworths Waterloo development, all existing centres in the local area will achieve sales in 2026 that are higher than existing 2021 trading levels. This reinforces the short-term trading impacts only, with all facilities to benefit from continued growth in retail expenditure.
- The proposed development will not impact on the ongoing viability or continued operation of any existing or proposed retail centre in the area.
- Overall, the Waterloo community stands to benefit from the proposed development that will deliver improved amenity and a new retail offer within the high-density precinct. The proposal will support a more holistic retail network aligned to government objectives for walkability and a 'best in class' retail environment. The project would support continued growth and a successful, evolving precinct and community in the future.

The August 2022 proposal will continue to support economic benefits including:

- An estimated 764 FTE jobs (direct and indirect) are likely to be generated during the construction stage of the project, and a further 273 FTE jobs on an ongoing basis once the project is complete and fully occupied.
- These additional ongoing jobs would stimulate additional economic activity, estimated at \$29.1 million each year (value-added).
- The mixed use development could also accommodate approximately 240 new residents, who would generate around \$4.0 million in retail expenditure each year, to the benefit of retailers in the local and regional community.

All other components of the report (including context, base line data and methodology) remain unchanged from the November 2021 Retail Needs and Economic Impact Assessment.

The following disclaimer has been incorporated into the main report:

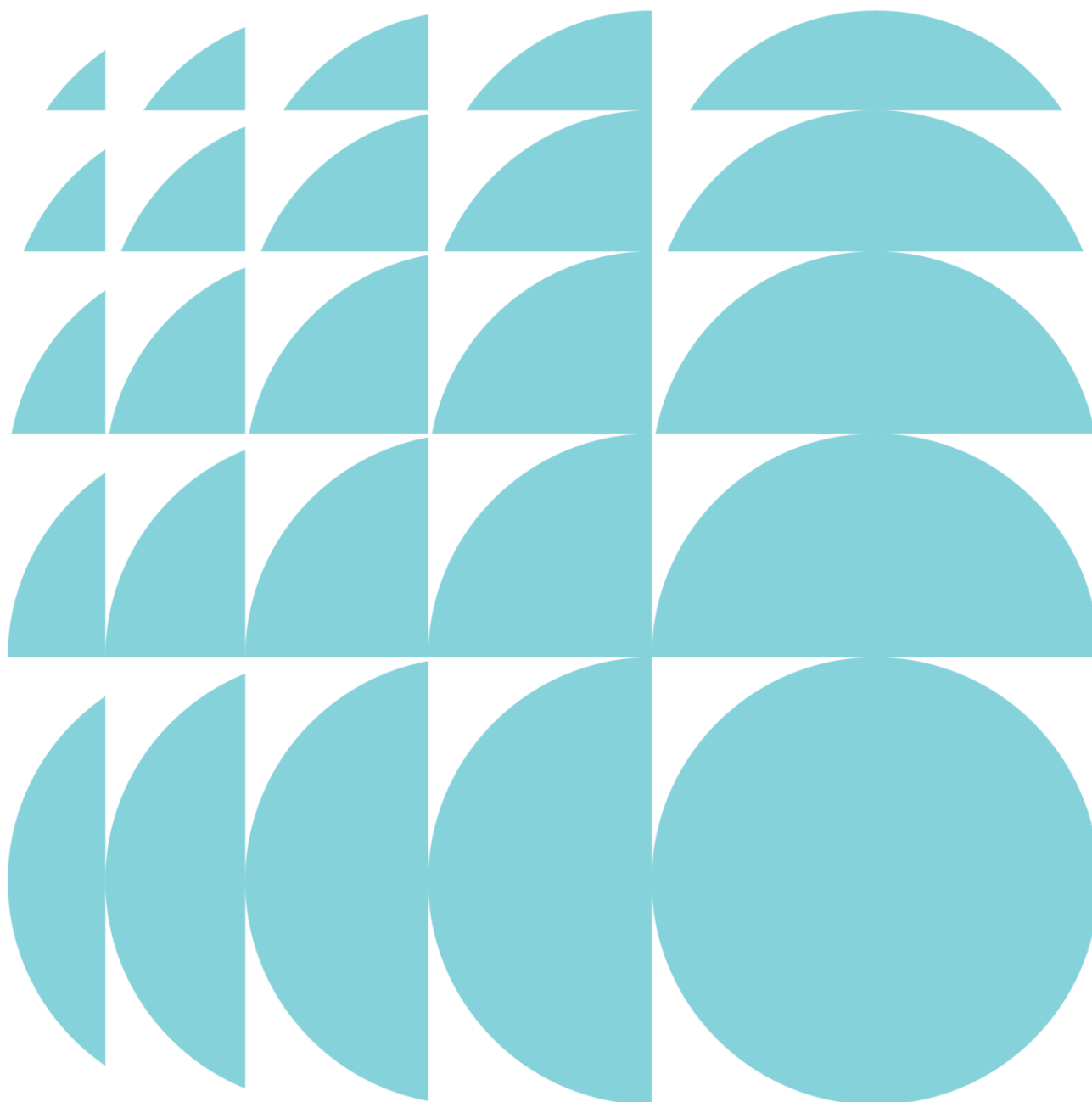
*An Economic Impact Assessment was originally completed in November 2021; however, a revised indicative development scheme has subsequently been incorporated into the current Planning Proposal application as of August 2022. Key updates to this assessment, reflecting the revised indicative scheme, include revisions to Section 4, Section 8 and updates to Part 3 of the report. These updates include figures relating to retail impacts, and benefits such as employment and economic output which have been updated throughout the report. All other components, including data, resources and methodology remain as per the original November 2021 Retail Needs and Economic Impact Assessment.*

I trust that this meets your requirements,



**Lee Cikuts**

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**Note and Disclaimer (AUGUST 2022):** An Economic Impact Assessment was originally completed in November 2021; however, a revised indicative development scheme has subsequently been incorporated into the current Planning Proposal application as of August 2022. Key updates to this assessment, reflecting the revised indicative scheme, include revisions to Section 4, Section 8 and updates to Part 3 of the report. These updates include figures relating to retail impacts, and benefits such as employment and economic output which have been updated throughout the report. All other components, including data, resources and methodology remain as per the original November 2021 Retail Needs and Economic Impact Assessment.

COVID-19 is an unprecedented global health crisis and economic event that is rapidly evolving. In these circumstances the short-term economic environment is extremely uncertain, especially where the forecasting of economic trends is involved. At the current time, the research and analysis of economic data – such as forecasts of economic activity, population and employment growth, and so on – reflects a return to “business as usual” scenario, while also noting the potential impacts that may be associated with the COVID-19 virus and the anticipated return to growth in economic indicators. Where required, we will be clear where a specific consideration of the implications of COVID-19 is being provided outside a business as usual scenario.

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17.11.2021

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17.11.2021

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## Executive Summary

### **Introduction**

This report considers the economic need and impact associated with the proposed construction and operation of the Woolworths development at 923-935 Bourke Street, Waterloo. The report informs the Planning Proposal for the development and builds on a previous Retail Needs Assessment that was undertaken by this office in April 2020, with the findings of that assessment shared and discussed with City of Sydney throughout 2020 and 2021.

### **Part 1: Background**

#### Evolution of Green Square Town Centre and Surrounds

Since 2008, the “Green Square and City South Village” has undergone significant transformation at a more rapid rate than previous projections and studies had anticipated. Between 2008 and 2018 population growth within the village was +20,800 residents, almost double the growth rate recorded in the next fastest growing village in the City of Sydney.

Whilst significant development has already occurred in the Green Square and City South Village, an additional 20,000 new dwellings are also expected in the future supporting 40,000 new residents in the medium to long term. The region already has high levels of population density, and based on projected growth this is expected to intensify further in the future.

#### Strategic Policy Context

Green Square Town Centre (GSTC) is located in the Green Square and City South Village and is identified as a key strategic centre in the southern part of the City of Sydney. Development of the GSTC has progressed in line with the planned role and function of a strategic centre and as a key destination for residents and workers in this part of Sydney.

However, development of the GSTC has progressed more slowly than originally anticipated in previous studies which have informed planning policy. As such, population growth in the area has far outstripped the supply of new retail facilities, including full-line supermarkets.

In light of substantial population growth and limited retail development activity, it is appropriate to review how retail is being planned and delivered in South Sydney in order to best deliver a true live/work/play urban environment.

#### The Role and Function of Supermarkets

Full-line supermarkets are a critical retail format providing households with the wide range of basic grocery products and services necessary for day-to-day living. A full-line supermarket provides the widest range of convenience-based food and grocery items provided by the supermarket retail-format, with over 20,000 stock units typically available.

A critical component of the retail hierarchy, full-line supermarkets allow most households to meet all of their basic grocery shopping needs in a single location. In contrast, smaller limited range supermarkets, such as the Metro store model operated by Woolworths, are more effective at serving a community’s most basic immediate retail needs and do not substitute the need for full-line supermarkets.

While many limited-range supermarkets provide a mix of products including canned goods, perishables, fruit and vegetables, and ready-to-go meals, they have a much narrower selection of products and far less price point variation. As a result, customer data shows that Woolworths Metro store customers often also regularly seek out a full-line supermarket in order to access a greater selection of brands, price-points, private labels and specialty products.

Online supermarket shopping has expanded the range of services and options available to customers. However, online will continue to form only one part of the supermarket shopping experience for a wide range of the population, with the role and function of physical supermarkets remaining of critical importance.

A review of combined supermarket sales across the Coles and Woolworths network, indicates that despite the rapid growth in online supermarket sales over the last two years, physical supermarket sales recorded growth that was 56% higher than online sales growth over the same period (at +\$4.7 billion compared to +\$3.0 billion between FY19 and FY21).

Any under-provision of full-line supermarkets is detrimental to households in that region given that it means residents have to travel a greater distance to access their preferred full-line store, placing a strain on local traffic networks and adding to work/life balance pressures. The need to travel beyond the local area also results in a fractured neighbourhood with no central communal hub or destination. In addition, in areas with limited supermarket competition, households can potentially be impacted due to the lack of range and price competition.

## **Part 2: Retail Needs Assessment**

### Site Context and Proposed Development

The Subject Site is located at a high-profile and easily accessible location at the south-western intersection of Bourke Street and McEvoy Street, Waterloo. The prominent position makes the site highly accessible for the surrounding population for pedestrians and vehicles, with Bourke Street forming a major north-south road within South Sydney, extending between Green Square and Darlinghurst.

The surrounding precinct is already an established and growing mixed-use precinct, particularly to the east of the Subject Site. A significant existing residential population exists in this part of Sydney and will continue to grow, with the densely populated area to be supported by a range of complementary uses including retail.

The proposed development is a mixed use project comprising retail, commercial and residential uses. Based on plans provided to this office, it is understood that a full-line supermarket of around 3,200m<sup>2</sup> Gross Floor Area (GFA) is planned. In addition, a range of supporting retail specialty stores are also planned as part of the development.

Reflecting the mix of uses, contemporary design and layout, the proposed development has the potential to establish a destination that will integrate with surrounding existing and proposed precincts and align with the vision for the future of South Sydney.

The proposed development will enhance access for residents to a full-line supermarket by supporting a range of shopping and transport modes. The project is planned to encourage walkability, however, the delivery of an adequate number of parking spaces will meet the needs of customers (including supporting larger weekly shops as well as visits after hours or during a typical commute by car). The provision of carparking at the development will not diminish walkability but would further support the needs of a diverse range of customers, and facilitate shorter vehicle trips; ultimately delivering a more accessible and convenient retail destination to the immediate population.

### Trade Area Analysis

A Main Trade Area (MTA) has been defined for the proposed development taking into consideration the local physical and geographical barriers, existing and proposed competition as well as having regard to population density and key objectives such as access and walkability within South Sydney (refer to **Figure 12**).

Population growth is forecast to be concentrated in the Primary and Secondary West sectors attributed to the large mixed use developments including Waterloo Estate, Waterloo Metro Quarter, Danks Street Precinct, and Lachlan Precinct. A review of major development projects indicates in excess of 10,000 dwellings are planned or underway in close proximity to the Woolworths Waterloo development.

The estimated resident population of the MTA in 2021 is 34,800 persons, and is forecast to increase to 55,400 persons by 2036, representing an additional +20,600 residents. The population within the Primary sector is projected to increase from 12,500 residents in 2021 to 19,400 persons by 2036 (+6,900 persons). The remaining population growth over the forecast period of +13,700 residents is estimated to be provided within the Secondary sectors. Historical population growth rate within the MTA has been around 3-4 times higher than the comparable Australian and Sydney average over the same period. The MTA population will increase by almost 60% over the next 15 years to 55,400 persons, and represents an almost doubling in the population between 2016 and 2036.

MTA residents have a demographic profile typical of an inner city population, comprising a younger, affluent, professional and culturally diverse population. This is particularly prevalent in the emerging growth areas and is representative of the transition underway in South Sydney.

Current retail expenditure by residents of the MTA is estimated at \$581.3 million in 2021 and is forecast to increase to an annual rate of \$1.08 billion by 2036, representing an increase in annual expenditure of almost \$500 million over the forecast period of 15 years (all figures in constant 2021 dollars and inclusive of GST).

Spending on food, liquor and groceries (FLG) by MTA residents, the spending category of most relevance to supermarkets, is projected to increase from \$208.9 million in 2021 to \$254.9 million by 2026, and growing further to \$364.5 million per year by 2036.

Annual food, liquor and grocery expenditure (FLG) will increase by +\$155.6 million over the next 15 years, accounting for over 30% of the total increase in annual retail expenditure by MTA residents. FLG spending is projected to increase by +\$44.2 million within the Primary sector alone. The substantial levels of growth in FLG spending highlight the need for new and expanded supermarket facilities, including full-line stores.

### Competitive Environment

Four (4) supermarkets are provided within the MTA, totalling an estimated 9,020m<sup>2</sup> of supermarket floorspace, with each store located 500m or more from the Subject Site. Only one is a major full-line supermarket, namely Coles (4,020m<sup>2</sup>) at East Village, 0.9km from the Subject Site in the Secondary South sector. No other major full-line supermarkets are provided within the Primary sector, although a smaller full-line Coles of 2,600m<sup>2</sup> is provided at Dank Street Plaza. Other smaller limited-range supermarkets in the MTA provide a convenience or top-up focussed food and grocery offer.

Several proposed supermarket developments are planned within the broader area. However, in the future any other major full-line supermarket will be at least more than 500m, and in most cases more than 1km from the Subject Site.

Given the very high, and increasing, population density in this part of Sydney these distances indicate that the proposed Waterloo development will provide a full-line supermarket in close proximity to a large number of new and future residents.

A substantial opportunity exists for additional full-line supermarket facilities in the MTA and more broadly within this part of Sydney. A retail sector aligned to local needs will be important for South Sydney to be an attractive and growing part of the City of Sydney into the future.

### Customer Movement Patterns

Analysis of Quantum transaction data shows a preference for many local residents to shop after hours and on weekends. This is particularly prevalent in the postcode of Waterloo in which the Subject Site is located.

Quantum data also indicates a substantial amount of supermarket expenditure is currently escaping from the local area, and being directed to larger full-line supermarkets outside the immediate locality. In 2019, 45.3% of supermarket expenditure within the postcode of 2017 (Waterloo) was being directed to supermarkets located outside of the 2017 postcode area - a significant share given the built-up nature of the area and high resident population.

The distribution of escape supermarket spending from Waterloo (postcode 2017) shows Redfern, Alexandria and Bondi Junction account for a significant share of the leakage. These areas all contain major full-line supermarkets, strongly indicating that many customers living in Waterloo (postcode 2017) find these supermarkets more convenient than those currently provided in their own postcode.

Visitation data from Near (formerly UM and UberMedia) also highlights that customers visit a range of supermarkets, including both full-line and limited-range stores, as part of their normal shopping patterns. The appeal of centres anchored by major full-line supermarkets such as East Village to a broad population (and not just to residents within the immediate area) is also highlighted in this data. This is reinforced by the trade area defined for East Village (by former owners PAYCE) which suggests the centre serves a main trade area that extends 2-4km from the site – an area that is four times larger than the proposed Woolworths Waterloo MTA. This extensive trade area defined for East Village highlights the broad market appeal and attraction of East Village that extends well beyond the immediate area, and highlights the reach of the centre which is anchored by one of the only major full-line supermarkets in the region.

### Retail Assessment

A review indicates that a further 53,800m<sup>2</sup> of additional retail floorspace is likely to be required by MTA residents over the period to 2036, not including any existing under-provision in the market currently. This provision would represent demand for an additional 3,587m<sup>2</sup> of retail lettable floorspace within the MTA each year for the next 15 years in order to align future supply with projected demand. The strong level of demand growth highlights the importance of adequately planning for an appropriate network and range of retail facilities, including major full-line supermarkets, to appropriately serve the growing population.

A supermarket capacity analysis indicates a current under-provision of supermarket floorspace in the MTA in the order of -4,522m<sup>2</sup>. This is the equivalent of more than one (1) major full-line supermarket (assuming 3,200m<sup>2</sup> of GLA per major full-line store). Even allowing for the development of all other currently proposed future supermarkets in the MTA the undersupply of supermarket floorspace is projected to increase to a deficit of -11,621m<sup>2</sup> by 2036 if the proposed Woolworths Waterloo did not proceed. This suggests that the equivalent of at least three (3) additional

major full-line supermarkets would be required by 2036 in order to adequately service the existing and planned future growth within the MTA.

Typically, in an inner-urban market a major full-line supermarket is supportable for every 10,000 persons and as such, the MTA population of 34,800 persons would imply support for at least three (3) major full-line supermarkets currently, increasing to over five (5) full-line stores by 2036 (based on projected growth in the MTA to 55,400 persons by 2036). As only one major full-line supermarket is currently provided within the MTA, this indicates an existing shortfall of up to two (2) major full-line supermarkets, with this number increasing to an undersupply of up to four (4) major full-line supermarkets by 2036.

The undersupply of supermarket floorspace has flow on impacts to the community including increased local traffic congestion, lack of convenience, as well as negative impacts to choice and price competition - as residents travel further distances, outside of their local communities, to nearby major full-line supermarkets.

A limited availability of sites exist that can support major full-line supermarkets and complementary retail development in the MTA. As such, the proposed Woolworths Waterloo development represents a unique opportunity to better serve the local community, particularly as the area continues to grow rapidly in the coming years.

Based on indicative plans for the proposed Woolworths Waterloo development, the mixed use project is planned to include a provision of retail floorspace that includes a full-line supermarket of 3,200m<sup>2</sup> (GFA) along with supporting retail specialty floorspace of 1,260m<sup>2</sup> (GFA). As a breakdown of Gross Lettable Area (GLA) is not currently available, the GFA has been used to estimate likely sales and impacts for the purposes of this report.

This assessment indicates that the 4,460m<sup>2</sup> (GFA) of retail floorspace at the Woolworths Waterloo development could achieve total retail sales of \$48.5 million in 2025/26 (constant 2021 dollars), representing sales of \$10,870 per m<sup>2</sup>. Total sales comprise estimated sales of \$38.4 million for the supermarket component and \$10.1 million for the retail specialty stores.

The addition of a contemporary full-line supermarket at the Subject Site would result in the retention of supermarket expenditure that is currently escaping the MTA, improving amenity and reducing congestion in the local area. The proposed development will provide of an adequate number of parking spaces to support a diverse range of customers and facilitate shorter vehicle movements, ultimately delivering a more accessible and convenient retail destination to the immediate population.

### **Part 3: Economic Impact Assessment**

#### Retail Impact Assessment

The proposed Woolworths Waterloo development will help to address a substantial undersupply of full-line supermarket floorspace within the local area and furthermore, will assist in satisfying the day-to-day lifestyle and grocery needs of the growing population within Waterloo and the local area. A new full-line supermarket at the Subject Site will alleviate pressure on the existing supermarket network, support emerging market demand and customer need.

Even with the proposed development proceeding, projected sales for other retailers in the MTA are forecast to be +14.1% higher (or \$56.4 million) than current 2021 levels. This highlights the large amount of growth in retail demand forecast within this part of Sydney. Without the Woolworths Waterloo project, projected levels of escaped retail expenditure by MTA residents to facilities beyond the MTA is projected to increase by a further \$22.1 million, reducing resident amenity, and adding to congestion at surrounding facilities and the local road and transport network.

A centre-based impact assessment indicates the largest trading impact will fall on East Village, and primarily the existing major full-line Coles supermarket. As one of the best performing supermarkets in the country, the Coles at East Village is well-positioned to absorb any short-term trading impact. Further, East Village overall records sales of over \$160 million and is ranked as the number one shopping centre nationally on a sales per square metre basis according to the SCN Little Guns publication and has held this position for five (5) years.

The projected impact on Green Square Town Centre (GSTC) is estimated at -6% of total sales, or an estimated \$5 million in 2025/26. A large proportion of this impact would fall on the existing Woolworths Metro supermarket located at the centre which trades solidly. The trading impact from the proposed Woolworths Waterloo development on the GSTC will be relatively limited at -6% and continued growth and expansion of retail facilities within the GSTC over time is expected. This includes projected future stages of development planned at GSTC over the period between 2021 and 2026. As a result, even with the proposed Woolworths Waterloo project, total retail sales at GSTC are projected to increase substantially from around \$35 million in 2021 to over \$83 million by 2026. This trading impact would be absorbed in less than 2 years based on market growth.

With projected annual retail sales growth rate across the MTA estimated at 4.1% per annum, any trading impact will be short term only. All trading impacts are expected to be absorbed by market growth within around 2 years.

All trading impacts on other permanent centres from the proposed Woolworths Waterloo development are expected to be well within the normal competitive range of less than 10%. The overall trading impact across the local centre network as a result of the proposed development is estimated at -4.0%.

Even with the assumed Woolworths Waterloo development, all existing centres in the local area will achieve sales in 2026 that are higher than existing 2021 trading levels. This reinforces the short-term nature of any trading impact when the Woolworths Waterloo development opens in 2026, with all existing facilities to benefit from continued growth in retail expenditure both prior, and subsequent to, the new development.

Overall, the Waterloo community stands to benefit from the proposed development that will deliver improved amenity and a new retail offer within a vibrant and high-density urban precinct. The project will support a more holistic retail network aligned to government objectives including walkability and delivering a 'best in class' retail environment that contributes to a well-serviced community in the future.

### Economic Benefits

An estimated 764 FTE jobs (direct and indirect) are likely to be generated during the construction stage of the project, and a further 273 FTE jobs on an ongoing basis once the store is complete and fully occupied. These additional ongoing jobs would stimulate economic activity, estimated at \$29.1 million each year (value-added). The mixed use development could also accommodate some 240 new residents who would generate around \$4.0 million in retail expenditure each year (based on 2021 estimated retail expenditure in the MTA), to the benefit of retailers in the local and regional community.

The proposed Woolworths Waterloo development will result in an overall community benefit, supporting growth within this part of Sydney and providing a contemporary full-line supermarket and retail facility that provides additional choice, range and price competition for this significant and growing population. This includes ensuring the community has access to a full range of products, a modern offer and capabilities including online integration, pick-up and delivery services.

Based on the high, and increasing, population density across Waterloo and South Sydney, an opportunity exists to support a well-balanced retail network including a new full-line supermarket that serves the immediate population within Waterloo. The proposed development is a logical and proportionate response to emerging need that complements the GSTC and other existing and proposed centres and developments.

A range of other economic benefits that align with the strategic vision for the South Sydney and the Waterloo community include improved convenience, walkability and delivering an integrated, contemporary live/work/play environment. The project would introduce a 'best in class' full-line supermarket within the MTA that aligns strongly with the needs of the existing and growing population and supports the future vision for South Sydney with a focus on innovative design, technology and sustainability initiatives.

## Introduction

This report presents a Retail Needs and Economic Impact Assessment (EIA), prepared on behalf of Fabcot Pty Ltd supporting the Planning Proposal for the amended planning controls to facilitate a new supermarket at 923-935 Bourke Street, Waterloo.

Ethos Urban previously prepared a Retail Needs Assessment for Fabcot Pty Ltd which was shared with City of Sydney Council in April 2020. Throughout 2020 and 2021, following the submission of this report, several presentations and submissions were made to the City of Sydney in order to discuss the findings of the research and the potential for supermarket and retail floorspace within South Sydney.

As part of the current application, an EIA has been prepared in order to assess the likely impacts of the proposed development on the local and regional community, including the existing and planned retail hierarchy in South Sydney.

The report has been divided into three (3) parts to reflect the analysis that has been completed to date in this growing part of Sydney; this includes research undertaken by this office as well as by the City of Sydney and a range of other consultants in previous years.

The report includes the following components:

### **Part 1: Background**

- 1 Evolution of Green Square Town Centre and Surrounds
- 2 Strategic Policy Context
- 3 The Role and Function of Supermarkets

### **Part 2: Retail Needs Assessment**

- 4 Site Context and Proposed Development
- 5 Trade Area Analysis
- 6 Competitive Environment
- 7 Customer Movement Patterns
- 8 Retail Assessment

### **Part 3: Economic Impact Assessment**

- 9 Retail Impact Assessment
- 10 Economic Benefits



## Part 1: Background

This component of the report outlines the background and history of growth and development in South Sydney and the Green Square Town Centre (GSTC).

### 1.0 Evolution of Green Square Town Centre and Surrounds

This section presents a summary of the context and growth patterns of South Sydney and the Green Square Town Centre.

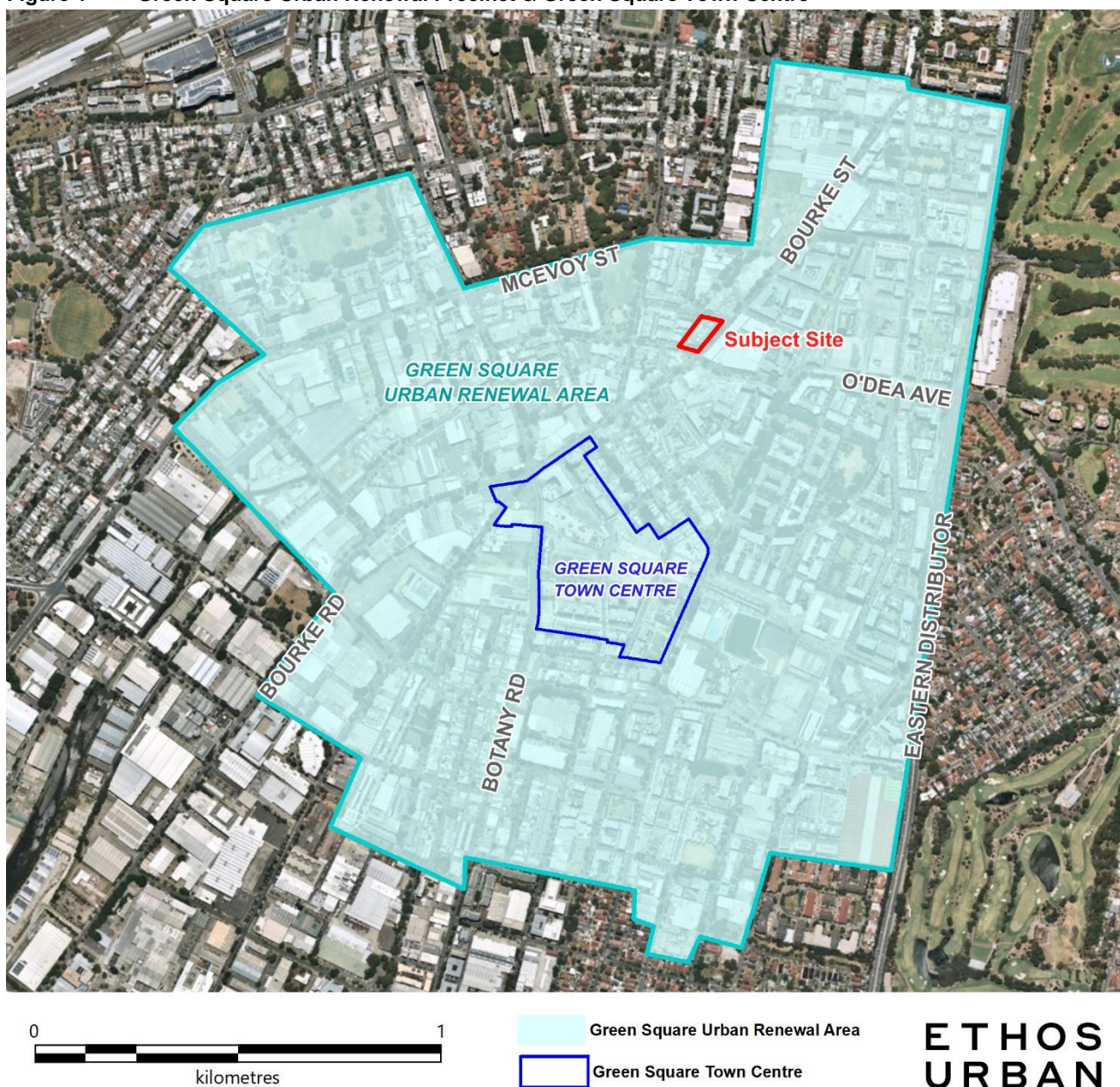
#### Key findings

- The Green Square and City South Village (defined by the City of Sydney) represents the fastest growing area in the City of Sydney Local Government Area (LGA).
- Since 2008 the Green Square and City South Village has undergone significant transformation. Between 2008 and 2018 population growth within the village totalled +20,800 residents, almost double the growth rate of Redfern Street, the next fastest growing village in the City of Sydney.
- Whilst significant development has already occurred in the Green Square and City South Village, more is planned in the future. The Green Square and City South Village is projected to accommodate over 40% of all new dwellings in the City of Sydney, with capacity for an additional+ 20,000 new dwellings in the future. This level of new dwelling development will be almost triple that expected within other City of Sydney villages. A further 20,000 new dwellings within the Green Square and City South Village in the medium to long term would support approximately 40,000 new residents.
- Green Square Town Centre (GSTC) has been identified as a key strategic centre in the southern part of the City of Sydney. Development of the GSTC has progressed in line with the planned role and function of a strategic centre and a future key destination for residents and workers in this part of Sydney. However, development of the GSTC has progressed much more slowly than originally anticipated in previous studies that have informed planning policy. As such, population growth has far outstripped the required supply of retail facilities, including major supermarkets.

#### 1.1 Green Square Town Centre

The Green Square Town Centre (GSTC) is a planned strategic centre located within the southern pocket of the City of Sydney Local Government Area (LGA) and directly adjacent to Green Square Railway Station. GSTC is the planned village heart of the broader Green Square Urban Renewal Area and is shown below **Figure 1**.

**Figure 1 Green Square Urban Renewal Precinct & Green Square Town Centre**



Source: City of Sydney, MapInfo; Ethos Urban

As one of the most significant urban renewal projects in the country, GSTC was initially jointly planned by Landcom and the City of Sydney, until the recent full acquisition by Mirvac in 2020. Upon completion, the GSTC is estimated to support the following:

- 4,000 residential dwellings within the town centre
- 44,000m<sup>2</sup> of commercial office space
- 14,000m<sup>2</sup> of retail floor space including a supermarket and speciality shops
- Up to 6,800 new residents and 6,000 new jobs are expected on completion.

Reflecting the central location in the Green Square Urban Renewal Area, the GSTC will form the primary destination for retail facilities within this part of Sydney. The GSTC is also the designated Strategic Centre within the broader South Sydney region.

Construction of the GSTC commenced in 2014 and development is planned to occur in stages over the next 10 years. Several stages have already been completed, with a number of others in advanced construction and

planning. Completed stages include residential development to the north and south of the GSTC, as well as community infrastructure and retail facilities, including a Woolworths Metro supermarket as the largest tenant.

Due to the staged nature of development, large tracts of the GSTC are yet to be developed. This includes significant commercial office components and recreation elements of a scale not present or planned elsewhere in the Green Square Urban Renewal Area.

## 1.2 Green Square and City South Village and Population Change

The City of Sydney has defined 10 different ‘villages’ that combine to form the Local Government Area (LGA) as shown in **Figure 2**. The GSTC is located within the defined ‘Green Square and City South’ village, which is described as:

***“...the City’s largest village, and encompasses the bustling, high density urban renewal area of Green Square, the quiet residential streets of Rosebery, and industrial and urban services precincts in Alexandria and Rosebery. Green Square has seen rapid population growth, and is becoming the strategic centre of South Sydney centred on the train station, public square, library and future commercial and retail precinct. Urban services uses in the industrial areas are changing as well, with new data centres, online retail distribution centres and creative manufacturing.”***

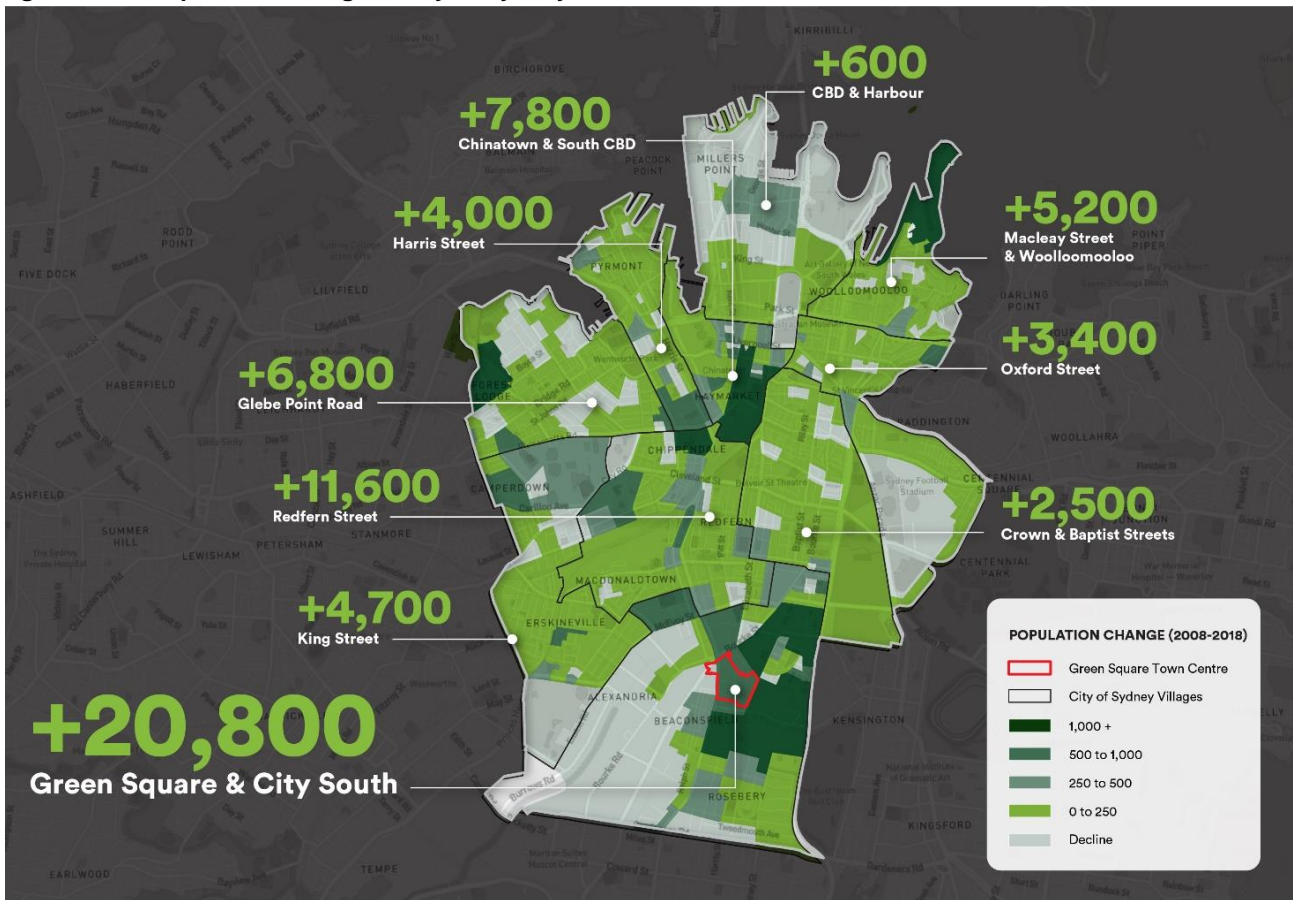
Green Square & City South Village has accommodated a significant share of residential development in the City of Sydney over the last decade (refer **Figures 2** and **3**). As the fastest growing village within the City of Sydney, the Green Square & City South Village has delivered +20,800 new residents over the period from 2008 to 2018, almost double the next fastest growing village (Redfern Street). Within the Green Square & City South Village most of the population growth has occurred around the suburb of Waterloo where high-density residential development has been concentrated.

The Green Square & City South Village is expected to accommodate a further +20,000 new dwellings over the period to 2036 (*City of Sydney Development Capacity Study 2019*).

With additional dwelling capacity of 20,000, the Green Square & City South Village will continue to provide the majority of the City of Sydney future residential growth, with the village to account for over 40% of new dwellings in the City going forward over the period to 2036, and a provision that is almost triple the next largest area (Redfern Street Village with 6,881 projected dwellings).

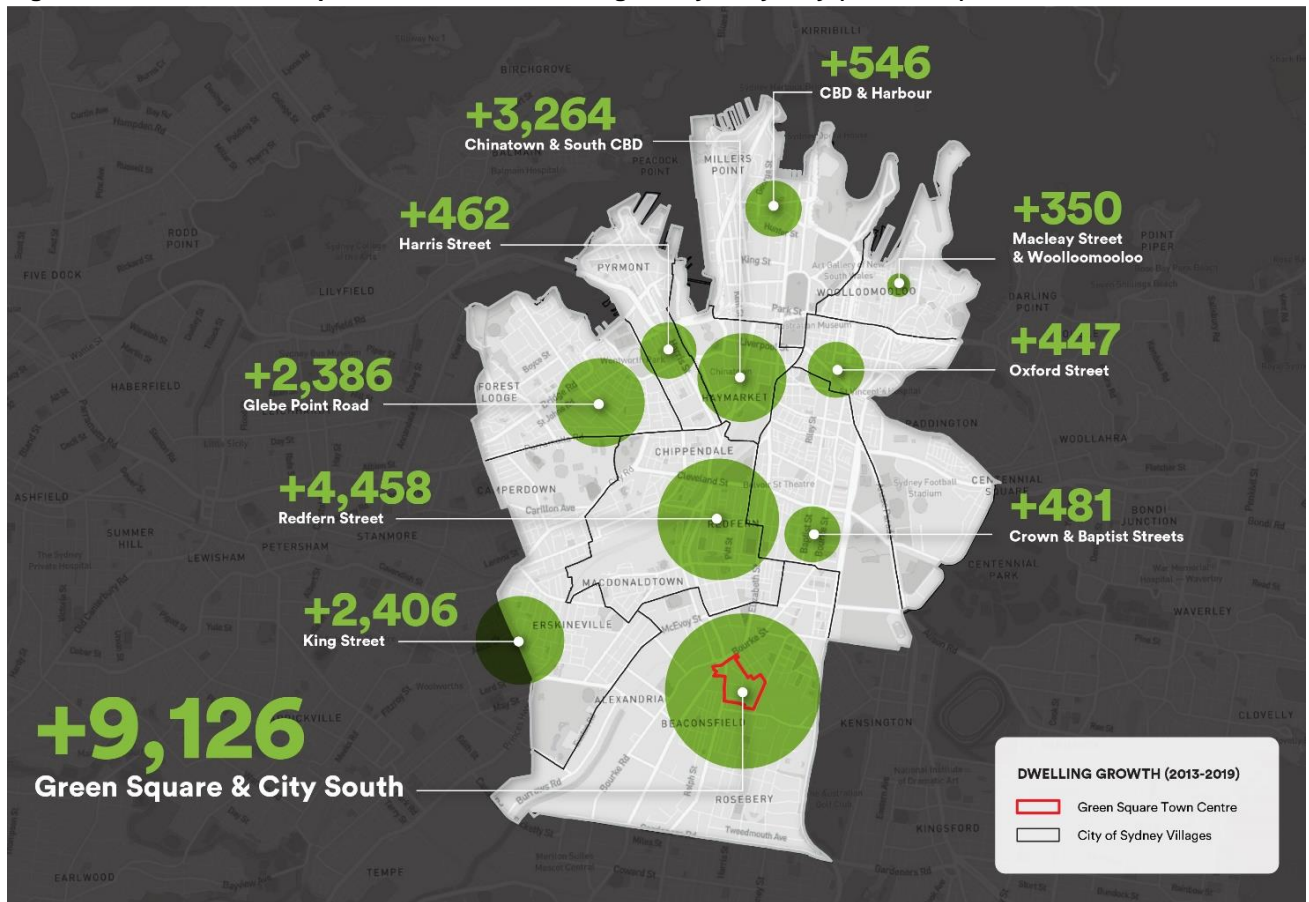
The resident population of Green Square & City South Village will experience continued significant levels of growth with approximately +40,000 new residents expected by 2036.

**Figure 2 Population Change in City of Sydney, 2008 to 2018**



Source: Esri; ABS Estimated Resident Population by SA1; Ethos Urban

**Figure 3** Count of Completed Residential Dwellings - City of Sydney (2013-2019)



Source: Esri; City of Sydney; Ethos Urban

## 2.0 Strategic Policy Context

The following section identifies the key strategic drivers for the Subject Site, based on a review of key state and local policies as well as strategies and research relevant to the proposed development.

### Key findings

- Under the District Plan, the GSTC is within the Eastern City Plan and is planned as the heart of the Green Square – Mascot Strategic Centre. The GSTC will contribute to the evolution of the South Sydney Corridor from traditional industrial activity towards a mixed use hub containing commercial, retail and residential uses.
- Key strategic planning documents forecast significant housing delivery and residential growth in this part of Sydney to 2036. The South Sydney region already has high levels of population density and based on projected growth this will further intensify in the future.
- Both the GSTC and broader South Sydney region have experienced rapid population growth, driving strong demand for retail facilities in the area. However, development of new retail facilities, and particularly full-line supermarkets, within the GSTC has been slower than expected. This is largely due to the fact that although strong retail demand exists, the GSTC is planned as a large mixed use centre. Some future stages of development rely on securing substantial commercial tenants on a pre-lease agreement, as well as residential pre-sales. As such, it may be some time before the full vision for the GSTC is realised.
- Clause 7.23 of the Sydney Local Environment Plan 2012 (LEP) also places constraints on the ability to deliver retail floorspace in the broader South Sydney region. This clause restricts retail shops to a floorspace of 1,000m<sup>2</sup>, resulting in limited new retail development with larger anchor tenants. If left unaddressed this will compound the current retail shortage, particularly for large store formats such as full-line supermarkets which are significantly larger than the 1,000m<sup>2</sup> floorspace limit.
- Population growth has greatly exceeded previous forecasts outlined in the 2008 analysis which formed the basis of the current retail policy and Clause 7.23. The area has evolved outside initial expectations, and it is appropriate and timely to revisit the retail needs in this part of the City of Sydney.
- Given the contrast between substantial population growth and more limited retail development activity – including full-line supermarkets - it is appropriate to review how retail is planned and delivered in South Sydney. This will help deliver an urban environment which meets expectations of a true live/work/play destination.

Detailed commentary on Government policies of relevance to the Subject Site and the proposed redevelopment is provided in the town planning report for the proposed development. However, at a high-level a number of research reports and policies have been adopted, or are proposed, that will likely influence the proposed development at the Subject Site. Some of these are highlighted below in order of completion.

### 2.1 Green Square and Southern Areas Retail Study

Hassell and Jones Lang LaSalle (JLL) were commissioned to undertake the Green Square and Southern Retail Areas Study (2008 Study) which was completed in February 2008. The purpose of the study was “...to provide a framework that ensures the GSTC develops a strong, vibrant retail focus that contributes to the vision for GSTC as a proposed major centre...”

This 2008 Study replaced the previous Green Square Retail Development Potential Study prepared in December 2000, and subsequently, informed and underpinned the Council’s decision to make amendments to the City of Sydney LEP and DCP controls.

Key forecasts and conclusions of the 2008 Study include:

- Virtually all sectors of the retail market are currently under-supplied within the study area

- The study identified that over 51,000m<sup>2</sup> of additional retail floorspace would be supportable in the main trade area by 2021
- In 2006 the level of supportable supermarket floorspace was 8,673m<sup>2</sup> and was projected to increase to 23,089m<sup>2</sup> by 2021.

As a result, the 2008 Study suggested that Council and Landcom aim to:

- *Bring forward the development of the retail core of Green Square as soon as possible; and*
- *Contain the development of other retail centres within the study area to ensure the level of supportable retailing at GSTC is not diminished.*

The 2008 Study concluded that the retail components of the GSTC are critical to success as a major multi-use centre. As such, some controls on retail development outside the GSTC were required as the then planning controls for Green Square were insufficient in providing a clear retail hierarchy. This was highlighted in the forecast substantial increase of the number of residents within the trade area (as defined within the 2008 report), from 74,900 persons in 2006 to 101,900 persons by 2021. The then Green Square DCP provided for a total of 16,500m<sup>2</sup> of planned retail floorspace compared to a predicted demand of 24,000m<sup>2</sup> of retail floorspace outlined by the 2008 Study.

Notably, the 2008 Study concluded that the trade area (as defined in the 2008 report) would support a total of 8,673m<sup>2</sup> of additional supermarket floorspace in 2006, with demand for 23,089m<sup>2</sup> by 2021. This analysis was based on assumed population growth within the trade area which was considered appropriate at the time. However, actual population growth has been far more rapid than was projected by the 2008 Study.

Results from the Retail Needs Assessment undertaken by this office in April 2020 indicate that:

*“Based on actual population outcomes, the 2008 Study substantially underestimated population growth in the precinct, in the order of 7,700 residents as of 2012. This under-estimate increased to 27,330 residents in 2018, and is on track to represent an under-estimate of 47,600 residents by 2021.”*

As a result, the required provision of retail and supermarket floorspace outlined in the 2008 Study was underestimated. This suggests an even higher level of undersupply exists in the precinct today to that identified in 2008.

Both the GSTC and broader South Sydney region have experienced rapid population growth, driving strong demand for retail facilities. However, development of new retail facilities, and particularly full-line supermarkets, within the GSTC has been relatively slow.

This is largely due to the fact that although strong retail demand exists, the GSTC is a large mixed use centre in which some future stages of development relies on securing substantial commercial tenants on a pre-lease agreement as well as residential pre-sales. As such, it may be some time before the full vision for the GSTC is realised.

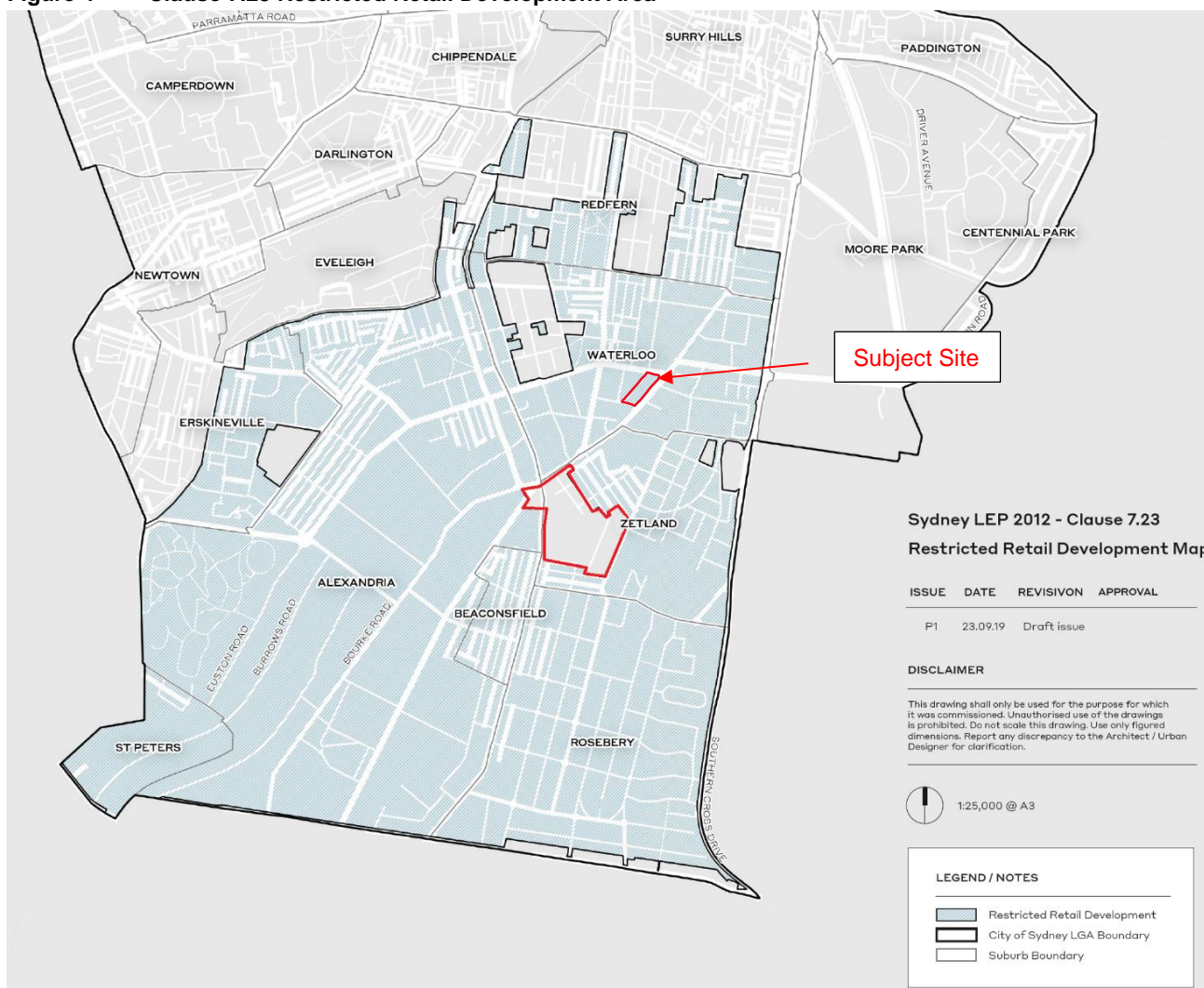
## 2.2 Sydney LEP Clause 7.23

Amendments to the Sydney LEP restricting retail development were ratified as a result of the Green Square and Southern Area’s Retail Study undertaken in 2008 by JLL.

The primary land use policy that constrains retail development potential in this part of Sydney is the development standard under Clause 7.23 of the Sydney Local Environmental Plan (LEP) 2012, which restricts development for the purposes of individual retail shops to a floor area of 1,000m<sup>2</sup> of total gross floor area (GFA). The restricted retail development zone excludes the GSTC, Ashmore Precinct and Waterloo Estate. The extent of where the retail cap applies within the South Sydney and Green Square region is shown in **Figure 4**. The Objectives of the Clause 7.23 are:

- to promote the economic strength of Green Square Town Centre and planned local centres by limiting large-scale retail development to those centres, and*
- to support the provision of community facilities and infrastructure in Green Square.*

**Figure 4 Clause 7.23 Restricted Retail Development Area**



Source: City of Sydney LEP

### 2.3 Greater Sydney Region and Eastern City District Plan

To manage growth and change across Sydney, the Greater Sydney Commission released the Greater Sydney Regional Plan (the Region Plan) and the Eastern City District Plan (the District Plan) in 2018.

A key theme and objective of the Sydney Regional Plan is to create a '30-minute city'. This includes developing a more walkable city, creating diverse jobs close to homes, and developing infrastructure and services that align with forecast growth.

The District Plan contains the planning priorities and actions for implementing the Greater Sydney Regional Plan at a district level. The purpose of the District Plan is to support councils in planning for growth and to align the Local Strategic Planning Statements (LSPS) with place-based outcomes.

Strategic intent of the District Plan is to provide for services, shops, cultural infrastructure, education and transport within walking distance to residents. We note that Waterloo area (refer to **Section 5**) experiences high levels of traffic movement and congestion, and that walkability is a pressing challenge in the face of rapid population growth.

The District Plan highlights Green Square-Mascot as a strategic centre in the hierarchy, below the Harbour CBD as the Metropolitan centre, although above Local centres.



As a strategic centre, the District Plan provides an expectation to include:

- *high levels of private sector investment*
- *flexibility, so that the private sector can choose where and when to invest*
- *co-location of a wide mix of activities, including residential*
- *high levels of amenity, and walkability and being cycle friendly*
- *areas identified for commercial uses and, where appropriate, commercial cores.*

(GSC, 2018. p.77)

Furthermore, the District Plan concludes that the Eastern District will require 1.8million m<sup>2</sup> of additional retail floorspace over the next 20 years (GSC, 2018, p.78).

Specifically, the Plan recognises the importance of the growth of supermarket-based strategic centres in the context of new trends with emerging technologies in the retail sector.

## 2.4 City of Sydney Local Strategic Planning Statement

The Sydney LSPS sets out a 20-year vision and planning priorities for the City of Sydney that informs the management of future land uses across the area and implement the community's values and visions. Changes to Councils' LEP and other planning instruments are informed by the LSPS.

Within the LSPS it is recognised that the City of Sydney is challenged by growth in services and infrastructure in alignment with population growth. Notably, the LSPS outlines that the City of Sydney is forecast to reach a resident population of over 350,000 people by 2036, supported by around 56,000 new dwellings over this period. More than one-third of this new dwelling supply is projected to occur in the Green Square and City South Village.

While the City of Sydney LSPS and supporting studies are comprehensive, limited reference is made to retail facilities. This should now be addressed given the importance of retail in the City now and into the future. Supermarkets identified within the LSPS and a walkability radius is illustrated in **Figure 5**. A key point to note is that the nearest supermarket to the site was Danks Street Produce Merchants which ceased trading in 2018, highlighting the importance and need for a new and up to date comprehensive retail study.

A key take out of the defined supermarkets and walkability map is that the Subject Site is positioned in a clear gap where there is currently limited supermarket facilities within the local area; despite planned growth of high-density housing and population for the area. The gap in supermarkets and walkability is contrary to the City of Sydney's objective of aligning supporting infrastructure with growth and establishing walkable and connected neighbourhoods, particularly given that this region is one of the fastest growing and high-density precincts in Sydney. A full-line supermarket at the Subject Site would close this gap and enhance access, convenience and walkability within this region by establishing a neighbourhood centre within this fast growing part of Sydney. This includes providing a highly accessible and convenient centre for local residents to drive and walk in order to access a full-line supermarket.

The value and appeal of retail facilities in the City is attributed to the strong growth projected to occur over the period to 2036, as well as the intrinsic value of retail as a key activity driver, employment generator, and community destination - appealing to a broad range of customer segments.

An increase in residents and workers outlined in the LSPS are derived from the *Capacity Study*. The *Capacity Study* utilises results from the 2017 Floor Space and Employment Survey (FES) and takes into account capacity under existing and proposed planning controls, NSW government sites and future development currently under assessment, and development which is approved or underway. Strata titled sites, heritage sites and smaller sites are excluded from the analysis.

**While the Capacity Study provides useful background analysis, it only takes into account the supply side of the equation based on known sites and planning controls. As such the study does not adequately reflect where demand is anticipated to be strongest (instead only where supply is greatest) and is unlikely to**

adequately reflect the evolution of retail need in the City and the Green Square Urban Renewal Area over time.

A key objective of the LSPS is to align development and growth with supporting infrastructure and create movement for walkable neighbourhoods and a connected city. South Sydney is one of the fastest growing regions in Australia, with high rates of new residential development and resident population growth. It is important that these residents are supported by critical population services, activities, businesses and infrastructure; including supermarkets.

**Figure 5** Extract of LSPS – Walkability from supermarkets



Source: City of Sydney LSPS (Pg 111), Ethos Urban

## 2.5 Sustainable Sydney 2030

Sustainable Sydney 2030 is the City of Sydney’s overarching community strategic plan that sets a vision for a Green, Global and Connected city. Key objectives of Sustainable Sydney 2030 include creating a city of walking and cycling, a lively and engaging city centre, housing for a diverse population, and supporting sustainable development, renewal and design.

## 2.6 City of Sydney Economic Development Strategy

The City of Sydney’s Economic Development Strategy 2013 is focused on strengthening the City’s economy and supporting businesses for the next 10 years. At the time of the Strategy, the City of Sydney LGA supported an estimated 437,000 jobs, of which 21,850 (or 5%) of jobs were within the retail and personal services industry.

The Strategy identifies the role of the Green Square Urban Renewal Area in transforming the former industrial land into a vibrant and sustainable urban centre, accommodating 40,000 residents and 22,000 workers by 2030.

This Planning Proposal seeks to deliver and contribute to providing a local neighbourhood centre in Waterloo, delivering a proposed 121 dwellings and 273 ongoing jobs that will contribute to a thriving local economy and support the vision for the City of Sydney.

The Strategy highlights the continuing need to monitor and review planning policies to ensure the provision of adequate floorspace capacity for businesses in the future. This is particularly important in providing ongoing business growth opportunities, ensuring residential amenity, and employment opportunities are created. The Planning Proposal seeks to deliver a new full-line supermarket within a part of Sydney that has a clear undersupply of retail supermarket floorspace.

### 3.0 The Role and Function of Supermarkets

#### Key findings

- Full-line supermarkets are critical for providing households with the wide range of products and services required to meet most basic day-to-day living requirements. These stores provide the largest range of convenience-based food and grocery items, with over 20,000 stock units typically available. Fresh food is a key offer of full-line supermarkets, including a full range of baked goods, seafood, meat, deli sections and cheeses in a single location. The range of products allow for greater consumer choice in terms of quality, type and price. These facts make full-line supermarkets a critical component of the retail hierarchy and environment.
- Major full-line supermarkets are full-line stores of more than 3,200m<sup>2</sup> in size, and are of sufficient scale to provide a 'best in class' consumer offer including generous customer circulation, maximum stock range and choice, premium product display and storage, etc.
- Smaller 'limited-range' and convenience supermarkets serve a community's more basic immediate retail needs and do not provide the range of goods provided by a full-line store. Limited-range supermarkets provide a more limited range of canned goods, perishables, fruit and vegetables, and ready-to-go meals, with a much narrower selection of products and far less price point variation. As a result, customers of smaller supermarkets, including the 'Metro' store model of Woolworths, will often also regularly seek out a full-line supermarket (and in particular major full-line supermarkets) in order to access a greater selection of brands, price-points, private labels and specialty products.
- Online supermarket shopping has expanded the range of services and options available to customers. However, online will continue to form one part of the supermarket shopping experience for a wide range of the population, with the role and function of physical supermarkets remaining very important.
- Despite the rapid growth in online supermarket sales over the last two years, physical supermarket sales recorded growth that was 56% higher than online sales growth over the same period (at +\$4.7 billion compared to +\$3.0 billion between FY19 and FY21).
- As such, a mixture of both limited-range and full-line supermarket stores, are required in order to provide a complete retail network, with a provision of smaller limited-range and convenience stores only – including the Metro store model operated by Woolworths - unable to cater to the full supermarket needs of local residents.
- An under-provision of full-line supermarkets undermines the provision of the full range of day-to-day grocery items to households in that region in an accessible and convenient manner. Excess expenditure will occur as residents have to travel greater distances to their nearest or preferred full-line supermarket, placing a strain on local traffic networks and adding to work/life balance pressures. Households can also potentially be impacted by a shortfall in full-line supermarkets arising from the lack of range and price competition.
- As such, the provision of a comprehensive network of retail outlets including both full-line and limited range supermarkets can actively contribute to the appeal and liveability of an area; supporting walkable neighbourhoods and facilitating a live/work/play environment.
- Consumer trends are changing, with a large focus on flexibility, accessibility, experience and technology connectivity. Supermarkets, and the overall retail sector will need to continue to adapt to cater to changing consumer preferences. Contemporary full-line supermarkets are well-placed to respond to these changing requirements for the benefit of the community.

### 3.1 Types of Supermarkets

Supermarkets are typically defined as food and grocery stores of 500m<sup>2</sup> or larger. A full-line supermarket is generally considered to be 2,500m<sup>2</sup> or larger, with a major full-line supermarket classified as stores greater than 3,200m<sup>2</sup>. These full-line stores are typically operated by Woolworths or Coles, although some independent operators also operate full-line supermarkets.

Stores of between 500m<sup>2</sup> to 2,500m<sup>2</sup> in size are small to mid-size supermarkets offering a limited-range of supermarket products. These stores are typically operated by independent chains, as well as ALDI and some smaller Woolworths and Coles store formats.

Small food and grocery stores of less than 500m<sup>2</sup> lack the range and scale of facilities to accommodate a comprehensive grocery shopping trip, although can support a basic shopping trip to meet immediate needs. Grocery stores of this scale are often referred to as convenience stores or foodstores.

Supermarkets can act as an anchor for specialty retail and local retail businesses, generating investment and business activity as well as providing jobs close to local residents.

Supermarkets typically account for approximately 75% of all food and grocery spending (with the balance to other fresh food and specialist operators such as butchers and bakers etc.). The significant share of retail expenditure is due to the ability of supermarkets to cater to the community's increasingly complex food and grocery needs.

Reflecting the need to respond to evolving consumer tastes and expectations, Woolworths now offer major supermarket stores (typically although not always full-line), as well as the more compact 'Metro' model. Woolworths have recently categorised key attributes of full-line supermarkets and Woolworths Metro stores as outlined in **Table 1** below.

- **Full-line** - Large format stores offering a full range of products, focused on servicing a large or weekly shop.
- **Compact Metro** - Convenience format stores primarily located in CBDs and commuter hubs servicing high density areas or small local neighbourhoods.

**Table 1 Different Woolworths Supermarket Types**

Supermarket Metric	Full-line	Compact Metro
<b>Average size (trading area)</b>	More than 2,700m <sup>2</sup> (main trading area)	Around 1,000m <sup>2</sup> (of main trading area) although varies depending on local need
<b>Typical spend per visit</b>	More than \$35	Less than \$20
<b>Typical basket size</b>	10+ products	5 products
<b>Typical product range (SKUs)</b>	More than 20,000 products	Less than 15,000 products
<b>Employees</b>	100 to 120 employees including casuals	35 to 100 employees including casuals
<b>Core customer trip</b>	Broad weekly shop	Top up shopping, immediate need shopping
<b>Pricing strategies</b>	State-based pricing	State-based pricing with markup on some products to reflect higher costs (e.g. higher rents and logistics)
<b>Trade Area</b>	Customers from a broad trade area, with a focus on lower frequency shops which include long life and household essential products.	Customers who live and/or work in the local area, with a focus on walk-up and fresh food purchases.

Source: Woolworths

### 3.2 The Importance of Full-line Supermarkets

Full-line supermarkets are critical for providing households with a wider range of products and services. These types of stores provide the largest range of convenience-based food and grocery items, with over 20,000 stock units typically available.

Fresh food is a key offer of full-line supermarkets, including a full range of baked goods, seafood, meat, deli sections and cheeses in a single location. The range of products allow for greater consumer choice in terms of quality, type and price. These facts make full-line supermarkets a critical component of the retail hierarchy Australia-wide.

In contrast, the compact metro stores offered by Woolworths are effective at serving a community's basic immediate needs. They do not substitute the need for a full-line supermarket given their limited stock. While metro supermarkets provide a mix of products including canned goods, perishables, fruit and vegetables, and ready-to-go meals, they have a much narrower selection of products and far less flexibility for price point variation. As a result, metro store customers often also regularly seek out a full-line supermarket in order to access a greater selection of brands, price-points, private labels and specialty products.

The emergence of online supermarket shopping, including delivery and direct to boot services, has also increased in recent years. Over time the proportion of online sales is likely to increase as a share of retail expenditure in line with current retail trends; online retail sales are estimated to account for around \$50.7 billion, or around 13.9% of total retail trade and has increased almost 30% in the last 12 month (NAB Online Retail Sales Index, August 2021.)

However, physical supermarkets will remain important. A review of combined supermarket sales from Coles and Woolworths indicates:

- Online supermarket sales have increase from \$2.5 billion to \$5.5 billion over the last two years, representing an increase in combined online sales as a proportion of all supermarket sales from 3.6% to 7.0%.
- Physical store sales over the same period increased from \$68.1 billion to \$72.8 billion, showing that while online has grown, physical stores remain a key, and growing component of the retail network.
- The results show that despite the rapid growth in online supermarket sales over the last two years, physical supermarket sales recorded growth that was 56% higher than online sales growth over the same period (at +\$4.7 billion compared to +\$3.0 billion between FY19 and FY21).

*(Coles and Woolworths Annual Reports FY19-FY21)*

Online supermarket shopping has expanded the range of services and options available to customers, and now represents an additional component and method of shopping for contemporary consumers. However, online will continue to form only one part of the supermarket shopping experience for a wide range of the population.

Based on the above, while online is growing, it remains one part of a holistic retail network that exists alongside physical stores. Smaller limited-range stores serve local role in the retail hierarchy, however full-line supermarkets are also required in order to cater for a larger household shop. As such, for Woolworths a mixture of physical stores, including both Metro and full-line stores, are required in order to provide a complete retail network, with a provision of Metro stores only, unable to cater to the full supermarket shopping needs of local residents.

Customers will visit full-line supermarkets for their larger weekly or fortnightly shop in order to purchase products not available at smaller metro stores (i.e. customers would frequent both store types). Full-line supermarkets are also utilised by all age groups and demographics.

In considering the concept of community need for supermarkets, it is relevant to note:

- Approximately 75% of fresh food and groceries purchased Australia-wide are from supermarkets
- No other retail format is visited more often by a higher share of the population than supermarkets
- Supermarkets are fundamental to supporting basic household and lifestyle needs for the overwhelming majority of the Australian population.

As a result, the relative accessibility of the community to major supermarket shopping facilities is a fundamental consideration for economic and community need.

An under-provision of full-line supermarkets undermines the provision of the full range of day-to-day grocery items to households in that region in an accessible and convenient manner. Escape expenditure will occur as residents have to travel greater distances to their nearest or preferred full-line supermarket, placing a strain on local traffic

networks and adding to work/life balance pressures. In addition, households can potentially be impacted by a shortfall in full-line supermarkets arising from the lack of range and price competition.

### 3.3 Changing Consumer Trends

Today's fast paced lifestyle and flexible work-life arrangements mean that modern consumers have diverse preferences when it comes to supermarket shopping. Consumers increasingly prefer supermarkets that enable or promote:

- **24/7 shopping** - Consumers want the ability to be able to shop at times that are suitable and convenient for them. Working conditions and lifestyles have changed – many consumers want to be able to shop early morning, during the day and late at night outside of traditional shopping hours.
- **Walkability and accessibility** - Consumers, particularly those living in dense urban environments, prefer to shop locally at facilities that are easily accessible walking or by private car or public transport.
- **Range of products** - Consumers seek a broad range of products, at various levels of price and quality from a range of sources that can cater to a variety of tastes, cultural and ethnic preferences.
- **Shopping as an experience** - Supermarkets are increasingly responding to consumer demand for a greater retail experience through an increased range of products, foreign brands and high-quality foods including ready-made meals. Supermarkets are also looking to differentiate themselves by providing better experiences and offers that can attract consumers in highly competitive retail markets.
- **Shopping - online delivery** - Consumers have continued to embrace online shopping for both supermarket and retail goods, with delivery of grocery items direct to peoples' homes growing in popularity. While still a relatively small share of supermarket sales, online shopping continues to increase.
- **Shopping - contactless pick-up** – Contactless online services have also increased. This is seen in trends such as 'direct to boot' drive through, where a consumer can order online and pick up at the store or expect delivery of goods within a short time after the order has been placed.

To meet these customer trends, 'best in class' supermarkets demonstrate features such as "direct to boot" - instore pick up shopping; express delivery; technology driven product sales and storage; and are innovative and forward looking.

'Best in class' supermarkets promote sustainable design and encourage sustainable practices - new supermarkets have higher levels of energy efficiency, and lower levels of wastage including reduced packaging and plastics.

Many new supermarkets also include a number of sustainability and recycling initiatives aimed at assisting households in becoming more sustainable, providing households with instore recycling and wastage programs (e.g. composter, food wastage programs). Where possible, the fit-out should be built with recycled materials and sustainable products and cater for developments in clean technologies, for example include electric car charging points on site.

Supermarkets can encourage walkability and active modes of transport by providing improved convenience, limiting the need for shoppers to take multiple trips to satisfy their shopping needs. This is particularly important in areas of high residential density and assists in reducing carbon footprint by enabling residents to shop within their local area and reduce the distance required to travel to other major full-line stores beyond the local area.

### 3.4 Trends for Full-line Supermarkets

Retail formats are continually evolving to respond to the needs of a growing population and to satisfy market demand. The rise in e-commerce and convenience retailing is changing the way people shop with an increase in 'direct to boot' pick-up services as well as increased 'on-demand' and 'just-in-time' delivery. The ability for the community to shop in different ways at different times and locations helps to provide choice and flexibility.

Growth in online retailing is driving innovation to respond to changing customer needs. Digital and physical spaces are increasingly merging, with more and more customers choosing both physical and online shopping. This trend gives rise to the real potential for hybrid retail and distribution models to cater to a new retail economy.

Key to the success of this ‘hybrid’ model, which will undoubtedly require more warehousing, delivery and ‘back of house’ facilities, is a supportive and more flexible land use regime that encourages and enables innovation in retail trading to occur.

Changes in retail demand, as well as innovation in transport methods, have also fundamentally changed the traffic and transport impacts of retail development. For example, electric trucks, (which are being trialled) may be capable of servicing stores outside of traditional loading hours, with reduced acoustic impacts. Similarly, online retailing lends itself to deliveries scheduled outside of peak hours to better distribute traffic movements throughout the day.

These factors have given rise both domestically and abroad to ‘new generation’ supermarket formats that incorporate technological advancements and new, innovative ways of doing business.

One of the key driving trends in the retail environment is the shift to online shopping. This trend has been further emphasised during the COVID-19 pandemic and is expected to remain. In particular, demand for online services in the supermarket sector has increased significantly, also driven by a number of factors unrelated to COVID-19 including:

- Increased working hours, which has reduced the amount of time available to consumers to spend shopping for groceries during normal hours of operation.
- Technology connectivity, with an increasing number of devices and services providing new ways to shop anywhere and anytime.

Green Square and South Sydney residents are generally employed in highly skilled white-collar jobs that would typically require a commitment to longer working hours. Many of these workers would be considered ‘time poor’ and would benefit from online shopping or direct to boot services near their homes. Further, the affluent population would also associate strongly with technology and new methods of shopping.

The prevalence of online retailing as part of a holistic retail network, complementing the physical retail store network, has resulted in changes to contemporary full-line supermarkets; this includes the ability for some stores to provide ‘direct to boot’ and other food and grocery services for local residents.

### 3.5 Features of ‘best in class’ supermarkets

In addition to the above, ‘best in class’ full-line supermarkets demonstrate the following features:

- **Direct to Boot - instore pick up** - The full-line supermarket should offer the ability for instore pick up via dedicated drive-up bays and drive-thru facilities.
- **Express delivery** - Consumers should be able to order online and expect delivery within two hours. Delivery vehicles that have minimal impact on the local road network and residents such as electric vehicles and bicycle delivery will see strong growth.
- **Technology driven** - Use of automation and apps in order to facilitate a seamless and positive customer experience from fulfilment through to in-store experience and delivery.
- **Greater range of products** - Ability to cater to a diverse and variety of tastes and customer needs. Only larger format or full-line supermarkets can provide for this.
- **Encourages walkability and active modes of transport** - The larger format supermarkets promote walkability and short trips by providing optimal convenience, limiting the need for shoppers to take multiple trips to satisfy their shopping needs. This is particularly important in areas of high residential density.
- **Sustainable design and encourage sustainable practices** - Where possible, the building should be built with recycled materials and sustainable products. New supermarkets have higher levels of energy efficiency, and lower levels of wastage including reduced packaging and plastics. Many new supermarkets also include a number of sustainability and recycling initiatives aimed at assisting households in becoming more sustainable, providing households with instore recycling and wastage programs (e.g. composter, food wastage programs).
- **Innovative and forward looking** – ‘Best in class’ supermarkets need to be able to respond to consumer trends and needs through a flexible built form and layout as well as integrate with the latest technologies in order to adapt and create a first-class experience.



- **Electric car charging bays on site** – ‘Best in class’ supermarkets cater towards developments in clean technologies.

An example of a ‘best in class’ supermarket is the recently opened Brickworks Burwood, Victoria. The store has a trading area of approximately 3,500m<sup>2</sup> and showcases many of the latest in Australian supermarket technology, in particular sustainability initiatives and ‘back of house’ operations to facilitate a forecast strong ‘direct to boot’ business.



**Figure 6** ‘Best in Class’ Supermarket - Brickworks

Source: Frasers Property

## Part 2: Retail Needs Assessment

This component of the report presents a retail needs assessment of the proposed Woolworths Waterloo development at 923-935 Bourke Street, Waterloo.

### 4.0 Site Context and Proposed Development

#### Key findings

- The Subject Site is a high-profile location at the south-western intersection of Bourke Street and McEvoy Street, Waterloo. The prominent position is highly accessible for the surrounding population, with Bourke Street forming a major north-south road within South Sydney, extending between Green Square and Darlinghurst.
- Two major residential mixed use development zones are located immediately adjacent to the Subject Site namely the Lachlan Precinct and Danks Street South Precinct (to the immediate east and north, respectively). Other growth areas within this part of Sydney including Botany Road Corridor, Waterloo Metro Quarter and Waterloo Estate.
- The areas immediately surrounding the Subject Site, particularly to the north and east, is becoming a vibrant and growing mixed use precinct that will need to be supported by an increasing range of complementary uses.
- The proposed Woolworths Waterloo forms part of a mixed use project, comprising retail, commercial and residential uses. The retail component is planned to include a full-line supermarket of 3,200m<sup>2</sup> (GFA), with a range of supporting retail specialty stores, enhancing access and walkability for surrounding residents. For the purposes of this analysis, the lettable area for the retail component is assumed to include a full-line supermarket of 3,200m<sup>2</sup>, and retail specialty floorspace of 1,260m<sup>2</sup>.
- Reflecting the mix of uses and a contemporary design and layout, the proposed development seeks to embody a true live, work and play destination that integrates with surrounding existing and proposed urban development and aligns with the vision for South Sydney as a place to live, work and play. The proposed development is planned to support improved convenience for residents, facilitating a full-line supermarket and supporting uses in close proximity to residents' homes that is convenient either by car or walking.

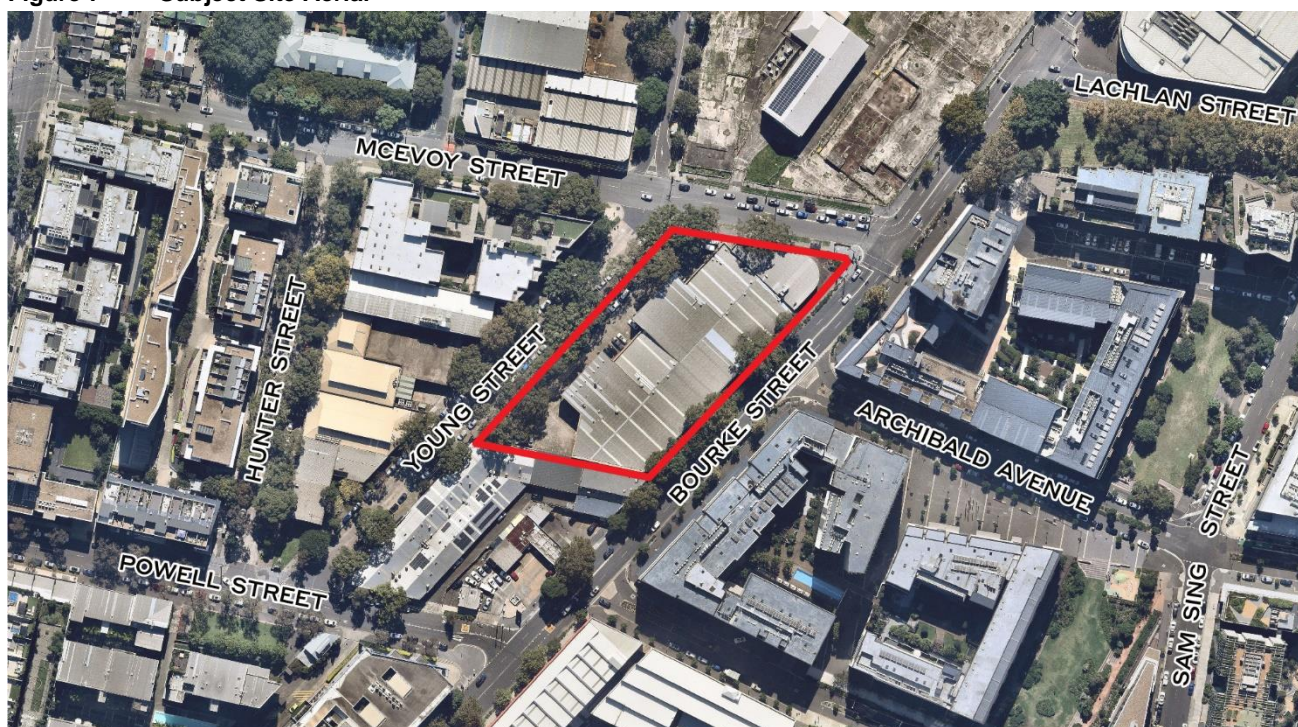
#### 4.1 Site Location and Context

The Subject Site is located at a high-profile location on the south-western intersection of Bourke Street and McEvoy Street, Waterloo within the City of Sydney (refer **Figure 7**). Centrally located, the Subject Site is bound by McEvoy Street to the north, Bourke Street to the east and Young Street to the west. This prominent position makes the site highly accessible for the surrounding population, with Bourke Street forming a major north-south road within South Sydney, extending between Green Square and Darlinghurst.

Located approximately 3km south of the Sydney CBD, the Subject Site is within South Sydney which is currently one of Sydney's fastest growing regions. Two major residential mixed use development areas of Lachlan Precinct and Danks Street South Precinct are located to the immediate east and north, respectively. Other growth areas identified within this part of Sydney including Botany Road Corridor, Waterloo Metro Quarter and Waterloo Estate.

Accessibility via public transport is excellent, with bus services operating along the surrounding streets and the Green Square Station around 900m to the south of the Subject Site.

**Figure 7 Subject Site Aerial**



 The Site

 NOT TO SCALE

Source: Ethos Urban, Nearmap

## 4.2 Surrounding Uses

Existing uses on the Subject Site include older warehouse, showroom and office space, with a large portion also used for car parking.

Surrounding land uses range from modern, higher density residential with ground floor retail, through to older facilities including large format retail stores, showrooms and warehouses. The facilities and uses within the area are changing rapidly as this part of Sydney continues to grow and evolve into a true mixed-use precinct.

To the immediate east of the Subject Site is Lachlan Precinct, a large residential and mixed-use area on the eastern side of Bourke Street. The Lachlan Precinct is nearing completion, with the remaining stages under construction or in an advanced planning phase. In addition to significant residential dwellings and some commercial floorspace, Lachlan Precinct offers ground floor retail including food and retail services.

To the immediate north of the Subject Site on the northern side of McEvoy Street is the Sydney Water site that forms part of Danks Street Precinct. This precinct is in the early stages of development. However, it is understood the Danks Street Precinct can support significant residential development, as well as ground floor retail facilities.

The existing and future mixed-use precincts within close proximity to the Subject Site are outlined in **Figure 8**.

It is clear the areas immediately surrounding the Subject Site, particularly to the north and east, is becoming a vibrant and growing mixed use precinct that will need to be supported by an increasing range of complementary land uses.

**Figure 8** Surrounding Context



Source: Nearmap

### 4.3 Planning Proposal

The Amended Planning Proposal at 923-935 Bourke Street, Waterloo seeks the following amendments to the Sydney LEP 2012 as at August 2022:

- Insert a new clause in Division 5 that provides:
  - A site specific exemption for the site from the 1,000m<sup>2</sup> cap under clause 7.23 ‘large retail development outside of Green Square Town Centre and other planned centres’, subject to the achievement of defined criteria of site and strategic attributes;
  - A site-specific exemption from the maximum FSR provisions to allow for a further increase in the site’s FSR of 0.5:1, but only where that additional FSR is used for the purposes of a below ground retail development (reflecting the addition of the full-line supermarket floorspace). The exemption would bring the site’s total maximum FSR to 2.7:1 (inclusive of base FSR, community infrastructure and design excellence bonuses); and
- In relation to building height, provide new mapping to reflect an increase from 15m to between 24m and 27m within the site (between 5 to 7 storeys) to redistribute massing to achieve the indicative mixed-use development.

The broad intent of the Planning Proposal is to achieve a mixed-use development outcome including a supermarket, supporting retail/commercial, community and residential land uses, which facilitates a suitable urban form to support local strategic planning intent for the establishment of a new ‘neighbourhood centre’ within the site. Accompanying amendments to the *Sydney Development Control Plan 2012* (Sydney DCP 2012) will be required to support this outcome. These amendments will address key design and development outcomes, including site-specific provisions related to the future built form, the provision of the publicly accessible through site link, active frontages, access, vegetation, design excellence, local infrastructure and sustainability

The Planning Proposal will facilitate the rejuvenation of the site with an indicative reference scheme accommodating a mixed-use development, including a 3,200m<sup>2</sup> full-line Woolworths supermarket (around 20,000 stock items and a 2,800m<sup>2</sup> main trading area) in a subterranean level, together with a speciality retail podium and servicing, commercial floorspace and residential apartments.

The amended indicative reference scheme underpinning the Planning Proposal totals some 17,575m<sup>2</sup> of Gross Floor Area (GFA), comprising:

- 3,200m<sup>2</sup> of supermarket GFA
- 1,670m<sup>2</sup> of retail GFA (inclusive of circulation and lobbies)
- 2,025m<sup>2</sup> of commercial GFA (inclusive of circulation and lobbies); and
- 10,680m<sup>2</sup> of residential floorspace, including some 121 dwellings.

Basement parking is accommodated for a total of 216 cars, together with ground level through-site links and podium and rooftop communal residential facilities.

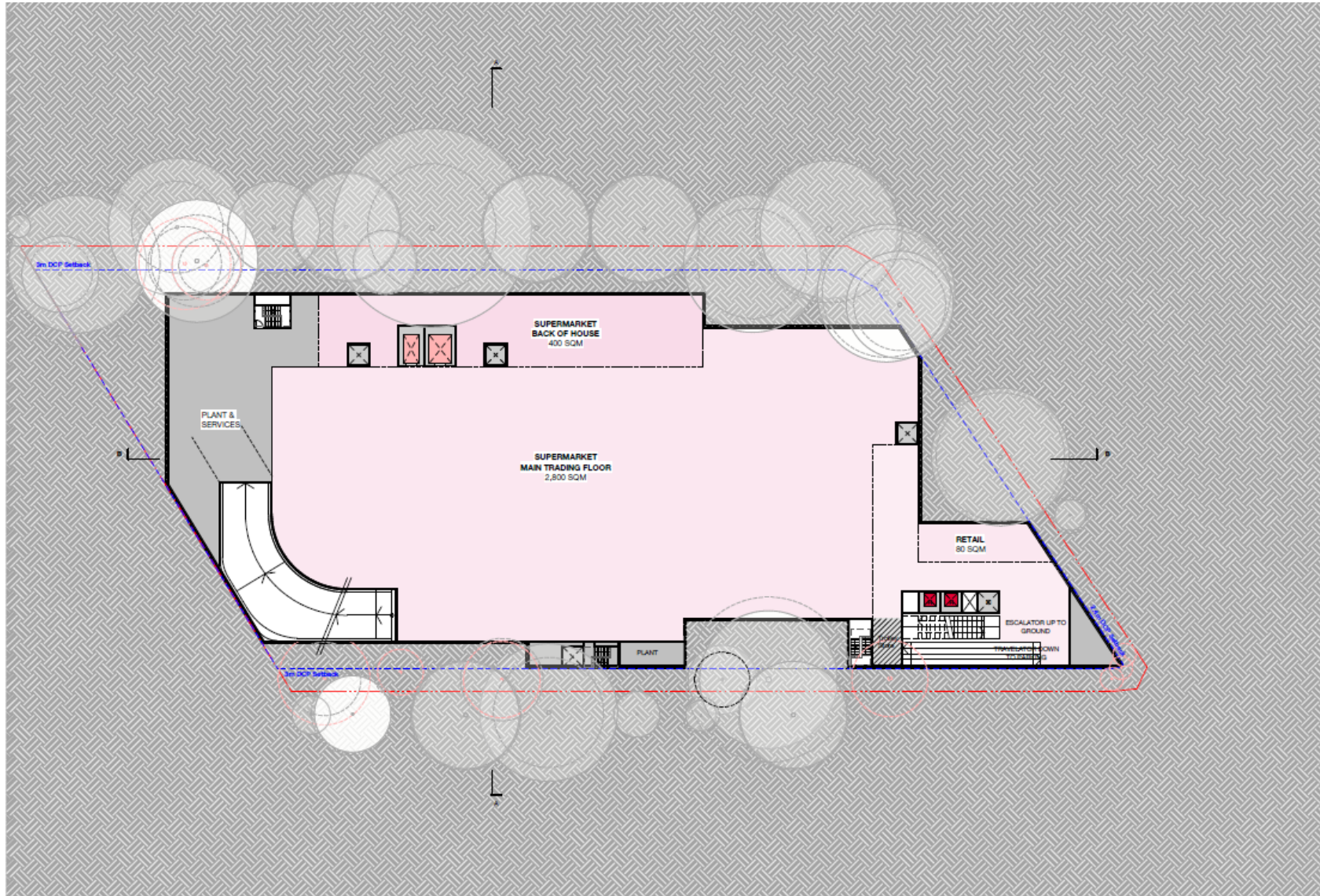
The Proponent intends to deliver, as part of this Planning Proposal, affordable housing contributions, electric vehicle charging facilities, site specific sustainability measures and local infrastructure by way of a Voluntary Planning Agreement (VPA) to be entered into with Council.

The planned layout of the project, including lower ground and ground level retail facilities, as well as an outline of a typical floorplate that is planned to be provided on the upper levels (residential and commercial components), is shown in **Figures 9 to 11**.

A breakdown of the gross lettable area (GLA) is not yet available for the proposal, and as such, the GFA figures have been adopted for the purposes of this assessment. It is important to note that the GFA figures have been adopted excluding lobbies and circulation areas. As a result, the floor area for the supermarket is planned to be 3,200m<sup>2</sup> (including supermarket back of house), while retail specialty floorspace is planned to be 1,260m<sup>2</sup>, resulting in retail floorspace for the proposed development totalling some 4,460m<sup>2</sup>.

The proposed development will enhance access for residents to a full-line supermarket by supporting a range of shopping and transport modes. The project is planned to encourage walkability, however, the delivery of an adequate number of parking spaces will meet the needs of customers (including supporting larger weekly shops as well as visits after hours or during a typical commute by car). The provision of carparking at the development will not diminish walkability but would further support the needs of a diverse range of customers, and facilitate shorter vehicle trips; ultimately delivering a more accessible and convenient retail destination to the immediate population.

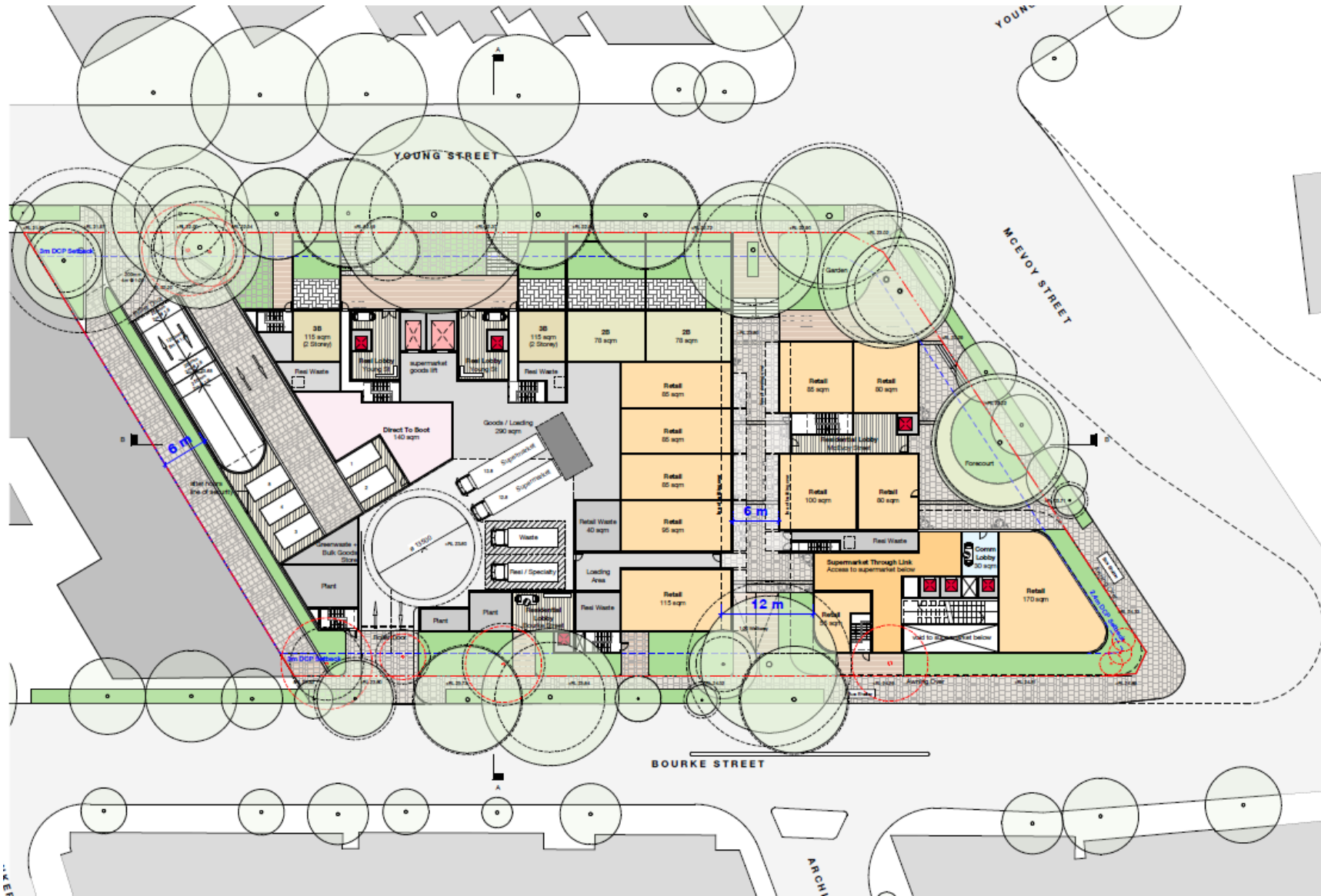
Figure 9 Indicative Development Scheme, Lower Ground



Source: Bates Smart, August 2022

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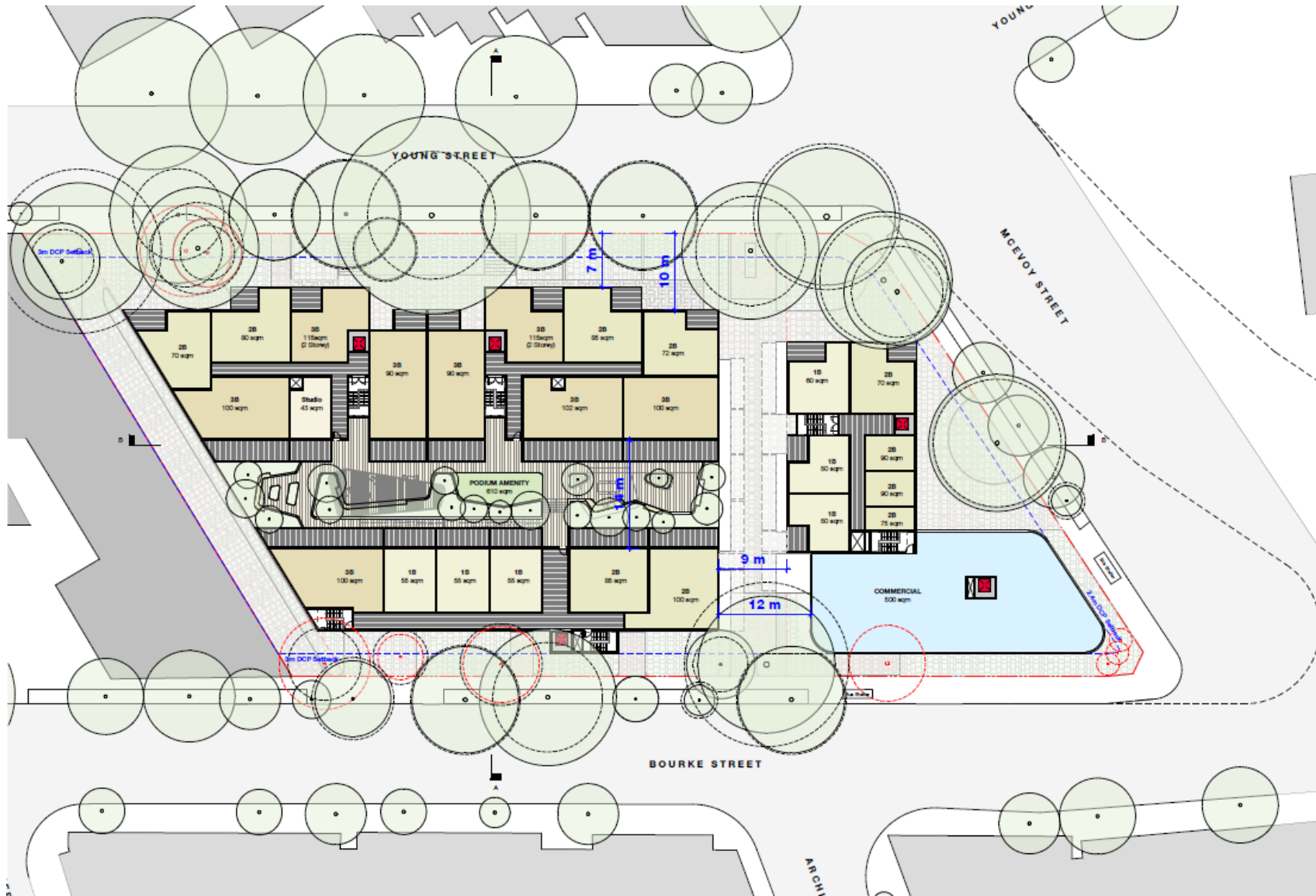
Figure 10 Indicative Development Scheme, Ground Floor



Source: Bates Smart, August 2022

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Figure 11 Proposed Development, Level 1 (indicative of uses planned for Levels 1-6)



Source: Bates Smart, August 2022

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## 5.0 Trade Area Analysis

This section presents an analysis and review of the trade area that is likely to be served by the proposed Woolworths Waterloo development. An analysis of the population, retail expenditure and competitive environment is also undertaken.

### Key findings

- A Main Trade Area (MTA) has been defined for the proposed Woolworths Waterloo taking into consideration the local physical and geographical barriers, existing and proposed supermarket and retail competition, as well as having regard to population density and key objectives such as walkability within South Sydney.
- Population growth is forecast to be concentrated in the Primary and Secondary West sectors attributed to the large precinct-scale mixed use developments including Waterloo Estate, Waterloo Metro Quarter, Danks Street Precinct, and Lachlan Precinct. A review of major development projects suggest that in excess of 10,000 dwellings are planned or underway in close proximity to the Woolworths Waterloo development.
- In 2021 the estimated resident population in the MTA is 34,800 persons, and is forecast to increase to 55,400 persons by 2036 representing an additional +20,600 residents. This includes an increase in the Primary sector population from 12,500 residents in 2021 to 19,400 persons by 2036.
- The historical rate of population growth within the MTA between 2016 and 2021 has been around 3-4 times higher than the comparable Australian and Sydney average over the same period.
- The MTA population will increase by almost 60% over the next 15 years to 55,400 persons, and this represents an almost doubling in the population between 2016 and 2036.
- The substantial population within 1km of the Subject Site highlights the significant existing, and growing, population density in this part of Sydney.
- Overall, the demographic profile of MTA residents is typical of the inner city comprising a younger, affluent, professional and culturally diverse population. This demographic is particularly prevalent in the emerging growth areas and represents the urban transition underway in South Sydney.
- The worker profile within the MTA represents a shift from a largely industrial and warehouse area to that with an increased focus on consumer-based services and industries with a more skilled workforce. Retail trade is both the largest and fastest growing industry in the MTA. The proposed Woolworths Waterloo development would support employment opportunities through the provision of retail facilities, and commercial office floorspace.
- Current total retail expenditure by residents of the MTA is estimated at \$581.3 million each year and is forecast to increase to \$1.08 billion by 2036, an increase in annual expenditure of almost \$500 million over the forecast period.
- Food, liquor and groceries (FLG) is the retail category of most relevance to supermarket sales. Spending by MTA residents on FLG is projected to increase from \$208.9 million in 2021, to \$254.9 million by 2026, and further to \$364.5 million by 2036. Annual FLG spending is projected to increase by +\$44.2 million within the Primary sector alone between 2021 and 2036. The substantial levels of growth in FLG spending emphasises the need for new and expanded supermarket facilities, including full-line stores, within the MTA.

### 5.1 Trade Area Definition

A retail trade area is an analytical tool that represents the spatial influence of a centre, or retail destination, and the region from which it is expected to draw consistent and significant levels of patronage.

The extent of the trade area is defined by a number of factors which include the location of existing and proposed retail competition, the surrounding arterial road and freeway network, and physical barriers to movement (such as water courses, railway lines, etc).

For the purposes of the proposed Woolworths Waterloo development, a trade area catchment has been defined with consideration to the accessibility to the Subject Site and proximity to other existing and proposed supermarkets and retail centres (including the GSTC).

Walkability is also a key consideration in this part of Sydney, as outlined in the government vision and objectives for South Sydney. A 500m distance, or around a five (5) minute walk, generally corresponds to an easy walking distance, with a 1km distance corresponding to around a 10 minute walk. As such, this walkable distance has been considered an appropriate guide for supermarkets in this part of Sydney, reflecting the high population density.

A trade area has been defined to identify the likely trading influence of a full-line Woolworths supermarket at the Subject Site, and is shown in **Figure 12**. The trade area generally reflects the area that captures residents who would have high levels of accessibility to the proposed supermarket, including those within an easy walking distance.

The defined Trade Area includes the following components:

- **Primary:** The population within the primary sector would have direct access to the proposed Woolworths Waterloo store and would likely be regular customers.
- **Secondary:** defined to include three secondary sectors and represents the local area that would have good access to the proposed Woolworths Waterloo store, and would utilise the facilities on at least a semi-regular basis, in conjunction with other retail destinations.

A breakdown of the various sectors is outlined below:

- **Primary sector:** bounded by Phillip Street to the north, South Dowling Street and the Eastern Distributor to the east, O’Dea Avenue to the south, and Elizabeth Street to the West. This sector encompasses a large share of the suburb of Waterloo, including development areas such as Lachlan Precinct and Danks Street South.
- **Secondary North:** extends north of Phillip Street, bounded by Redfern Street to the north, South Dowling Street to the east, and Chalmers Street to the west.
- **Secondary South:** broadly includes the suburb of Zetland, although excludes the Green Square Town Centre. This sector is bounded by O’Dea Avenue to the north, South Dowling Street to the east, Bindon Place to the south and Bourke Street to the west.
- **Secondary West:** includes the remainder of the suburb of Waterloo, extending to Phillip Street in the north, Botany Road in the west, Elizabeth Street to the east and Bourke Street to the south. This sector encompasses the significant development areas of Waterloo Estate and the Waterloo Metro Quarter.

In combination the primary and secondary sectors form the Main Trade Area (MTA).

**Figure 12 Main Trade Area Map**



Source: Ethos Urban

## 5.2 Trade Area Population

A review of the development activity and population within the MTA is now outlined.

### 5.2.1 Development activity

A summary of major developments of most relevance to the proposed Woolworths Waterloo include:

- **Lachlan Street Precinct:** Located to the immediate east of the Subject Site, the remaining stages of development have capacity for approximately 1,000 new dwellings and are due for completion by 2026.
- **Danks Street South Precinct:** Danks Street Precinct is located immediately north of the Subject Site with plans indicating potential for up to 1,000 dwellings. While early construction works have commenced, most new residents are expected over the period from 2024 to 2028.
- **Mastery by Crown Group:** A staged development is planned at 44-48 O’Dea Avenue which is located east of the Subject Site in the Primary sector. Involving the construction of five mixed use buildings that will deliver a total of 368 new dwellings as well as ground floor retail and communal space, the development is expected to be completed in 2026.
- **Redfern Communities:** A State Government project in the Secondary North sector is set to deliver a new integrated social, affordable and private housing development including 351 build-to-rent dwellings due for completion in 2023.
- **Waterloo Metro Quarter:** As part of the Waterloo Metro Station development, an Over Station Development (OSD) at the site has been approved and is expected for completion in 2026. The station, located in the Secondary West sector, is currently under construction and forms part of the Sydney City and South West

Metro project, due to commence operation in 2024. The OSD development is planned to accommodate a mixed-use tower including 700 apartments (inclusive of 70 affordable rental housing units).

- **Waterloo Estate:** Waterloo Estate is a major redevelopment project of State Government owned land in the Secondary West sector and adjacent to Waterloo Metro Quarter. The site of over 12 hectares is likely to accommodate a two-stage development, as follows:
  - **Stage One:** Covers 65% of the developable area and is forecast to deliver 3,000 new dwellings. It is assumed that construction will occur over a 10-year period, starting in 2025 and finishing in 2035.
  - **Stage Two:** Planning for Stage Two is currently underway and is expected to support up to 3,500 new dwellings. Construction of Stage Two is expected to commence in 2030 with completion approximately 10 years later.

Note that the Waterloo Estate project will redevelop the existing older facilities on the site, including the replacement and update of some existing dwellings.

- **Botany Road Mixed Use Development:** Located at 219-231 Botany Road this mixed use project is planned to support 131 new dwellings and is expected to be completed in 2025.

**A review of major development projects only suggests that in excess of 10,000 dwellings are planned or underway in close proximity to the Woolworths Waterloo development.**

Other smaller, mixed use and residential developments are also planned or underway within this part of Sydney and in close proximity to the Subject Site, including along Botany Road and in the balance of Waterloo. Many of these projects are planned to include a significant residential component along with complementary uses.

Other projects are also likely to follow in the future as the area continues to redevelop, supported by government policy and market demand.

## 5.2.2 Resident Population

The MTA had an Estimated Resident Population (ERP) of 34,800 persons in 2021, representing an annual average growth rate of +1,280 residents since 2016.

Currently, approximately two-thirds of the MTA population is concentrated in the Primary sector (12,500 persons) and the Secondary South sector (11,000 persons). These sectors accommodate more recent development than the balance of the MTA, including the Zetland/East Village Precinct and earlier stages of the Lachlan Precinct.

A summary of population trends and forecasts for the MTA are outlined in **Table 2**. Key findings include:

- Historical population growth within the MTA has been strong, increasing from 28,400 persons in 2016 to 34,800 persons in 2021. This represents an increase of +6,400 persons or an average of +1,270 persons or 4.1% per annum. Within the Primary sector the rate of population growth has been even higher at 5.3% per annum in the same period.
- The historical rate of population growth within the MTA has been around 3-4 times higher than the comparable Australian and Sydney average over the 2016 to 2021 period.
- The MTA population is forecast to increase by +20,600 residents to a total population of 55,400 persons in 2036. This growth reflects an average annual increase of +1,370 residents or 3.1% per annum, equivalent to an increase of almost 60% over the 15-year period. These projections are highly achievable based on historical population growth and the significant urban development planned for South Sydney.
- Population growth within the MTA is forecast to be highest between 2026 and 2031, immediately after delivery of Woolworths Waterloo. This timing correlates with new housing supply associated with major developments including Waterloo Metro Quarter and Waterloo Estate South Precinct.
- The Primary sector population is forecast to increase by +6,900 persons between 2021 and 2036, at an average of 3.0% per annum. This represents 33.5% of the total forecast MTA population growth in the period.
- Primary sector population growth is projected to be highest between 2021 and 2026 at an average annual increase of +740 residents. This corresponds to the ongoing development of Lachlan Precinct and the expected completion of initial stages at the Danks Street South Precinct.

- Population growth within the Secondary North sector is projected to be solid at a growth rate of 1.9% over the 2021 to 2036 period, representing a total increase of +1,500 residents.
- The Secondary South sector is projected to increase at an average rate of +1.6% per annum over the forecast period, equating to an additional +3,000 residents.
- The Secondary West sector is projected to record the highest level of population growth, increasing by +9,200 residents between 2021 and 2036, and accounting for 44.7% of total MTA population growth. This represents an average growth rate of 5.9% per annum over the forecast period.

The substantial population within the MTA (that generally extends only between 500 metres and 1km from the Subject Site) highlights the significant and increasing population density in this part of Sydney.

**Table 2 Forecast Population, Woolworths Waterloo Trade Area, 2016 to 2036**

Population	2016	2021	2026	2031	2036	Change (2021-2036)
Primary sector	9,700	12,500	16,200	18,400	19,400	+6,900
Secondary North	3,900	4,500	5,200	5,700	6,000	+1,500
Secondary South	9,000	11,000	12,000	13,000	14,000	+3,000
<u>Secondary West</u>	<u>5,900</u>	<u>6,800</u>	<u>7,300</u>	<u>11,300</u>	<u>16,000</u>	<u>+9,200</u>
<b>Main Trade Area</b>	<b>28,400</b>	<b>34,800</b>	<b>40,700</b>	<b>48,400</b>	<b>55,400</b>	<b>+20,600</b>
Average Annual Change		2016-21	2021-26	2026-31	2031-36	Change (2021-2036)
Primary sector		570	740	440	200	+460
Secondary North		110	150	100	50	+100
Secondary South		400	200	200	200	+200
<u>Secondary West</u>		<u>180</u>	<u>100</u>	<u>800</u>	<u>950</u>	<u>+610</u>
<b>Main Trade Area</b>		<b>1,270</b>	<b>1,190</b>	<b>1,540</b>	<b>1,400</b>	<b>+1,370</b>
Average Annual Growth %		2016-21	2021-26	2026-31	2031-36	Change (2021-2036)
Primary sector		5.3%	5.3%	2.6%	1.1%	+3.0%
Secondary North		2.8%	3.2%	1.9%	0.9%	+1.9%
Secondary South		4.1%	1.8%	1.6%	1.5%	+1.6%
<u>Secondary West</u>		<u>3.0%</u>	<u>1.4%</u>	<u>9.1%</u>	<u>7.3%</u>	<u>+5.9%</u>
<b>Main Trade Area</b>		<b>4.1%</b>	<b>3.2%</b>	<b>3.5%</b>	<b>2.7%</b>	<b>+3.1%</b>

Source: ABS, Forecast Id, Cordell Connect, Ethos Urban

**Figure 13 MTA Population Growth 2016-2036**



Source: ABS, Forecast Id, Cordell Connect, Ethos Urban

### 5.3 Socio-Economic Profile

Demographic data has been drawn from 2016 ABS Census of Population and Housing to provide a general profile of residents in the MTA. Key characteristics include:

- Age Profile:** The median age of MTA residents is 31.0 years, well below the Greater Sydney median of 36.0 years. This young median age is driven by a large share of persons aged 25–34 years within the MTA at 33.3%. Other age groups with high representation include 35-49 years (19.3%), and 18-24 years (18.1%).
- Income:** MTA residents earn a median annual household income of \$82,440, -10.6% lower than the Greater Sydney median of \$92,200. However, average incomes vary significantly across the MTA with Primary sector residents earning annual household incomes of \$112,940, some 22.5% higher than the Greater Sydney average and reflecting the large number of working professionals. Residents in the Secondary West earn the lowest median household incomes of \$25,490 highlighting the large provision of social housing in this sector.
- Country of Birth:** The MTA population is ethnically diverse, with 47.7% of the MTA population being overseas born, compared to the Greater Sydney average of 30.5%.
- Household Composition:** Families account for 46.3% of total households within the MTA, although only 9.6% of these households are families with children. These figures are significantly below the Greater Sydney average for family households of 73.3%, as well as couples with children (37.7%). A large share of lone person (36.2%), and group households (16.8%) are within the MTA highlighting the desirability for young persons and singles. In particular, lone person households represent over 50% of households within the Secondary North and Secondary West sectors, significantly higher than the Greater Sydney benchmark of 21.7%. This is reflected in the smaller average household size throughout the MTA of 2.0 persons per household compared to the Greater Sydney average of 2.8 persons.
- Tenure Type:** Approximately 70.5% of dwellings within the MTA are rented which is significantly higher than the Greater Sydney benchmark of 35.1%. A lower share of dwellings are owned with a mortgage (20.7%), or owned outright (8.1%). The high share of rented dwellings is typical of a population profile in inner city areas including those that are characterised by young singles and lower income earners.
- Dwelling Types:** Flats, units and apartments are the primary housing type within the MTA representing 90.4% of total housing stock. Semi-detached, row or terrace houses account for 9.4% of total dwellings, while less than 1% of dwellings are separate houses. This data highlights the high density and built-form that exists within the MTA.
- Occupation:** Approximately 37.7% of MTA residents are employed within professional occupations, representing the largest share of employment. This is followed by managers (17.8%), and clerical and

administrative workers (11.8%). A high share of white-collar workers reside within the MTA and particularly within the Primary sector.

- **Car ownership:** A higher share of MTA households do not own a car (36.4%), compared to the Greater Sydney average of 11.4%. Almost half (48.7%) of MTA households have one car, while only 14.9% own two or more cars, representing a lower rate of car ownership compared to Greater Sydney where 50.1% of households own two or more vehicles.
- **Travel to Work:** Residents within the Primary sector rely on public transport, walking and ride sharing as a means of travelling to and from work. As such, convenience and close access to supermarkets is important for the liveability and amenity of many residents.

A review of key changes in the MTA demographic profile can be undertaken by investigating variations that have occurred between the 2011 and 2016 Census. Key findings include:

- **The age profile has become younger** with the share of residents aged 5-19 years increasing by +1.2%, and residents aged 20-34 increasing by +5.6%. Typically, the share of age groups older than 34 years of age have declined.
- **Tenure type has remained relatively unchanged**, with the share of rented dwellings only increasing by +0.3% between 2011 and 2016.
- **Greater share of high-density dwellings**, with the share of flats, units and apartments increasing by +5.1%, while the share of separate houses and terrace style homes have each decreased by -4.6%. This data highlights the ongoing development and urban intensification that occurred in recent years.

Overall, the MTA resident profile is consistent with that of an inner-city area, including a high proportion of young professionals and students.

The population within the Primary sector is typically more affluent, well-educated and work in highly skilled jobs and are from diverse cultural backgrounds.

Residents in the Primary sector will be quick to adopt new technologies and respond positively to an industry leading supermarket experience. The preference of residents for time-of-day shopping is going to vary, so they will want the flexibility to shop both within and outside normal trading hours.

**Table 3 Socio Economic Profile Summary, 2016**

Category	Primary Sector	Secondary North	Secondary South	Secondary West	Main Trade Area	Greater Sydney
<b>Income</b>						
Median household income (annual)	\$112,940	\$45,150	\$97,850	\$25,490	\$82,440	\$92,200
Variation from Greater Sydney median	22.5%	-51.0%	6.1%	-72.4%	-10.6%	na
<b>Age Structure</b>						
0 years	1.2%	0.4%	1.2%	0.8%	1.0%	1.2%
1-2 years	1.7%	1.4%	2.2%	1.0%	1.7%	2.6%
3-4 years	1.2%	0.7%	1.6%	0.9%	1.2%	2.6%
5-6 years	0.6%	0.5%	0.7%	0.9%	0.7%	2.6%
7-11 years	1.2%	1.5%	1.2%	1.5%	1.3%	6.2%
12-17 years	1.4%	2.0%	1.0%	2.1%	1.5%	6.9%
18-24 years	19.6%	4.3%	26.6%	11.9%	18.1%	9.6%
25-34 years	40.2%	18.1%	40.2%	21.5%	33.3%	16.2%
35-49 years	21.3%	23.3%	16.7%	17.2%	19.3%	21.3%
50-59 years	5.9%	17.3%	4.8%	12.5%	8.5%	12.3%
60-69 years	3.9%	14.8%	2.5%	12.9%	6.8%	9.4%
70-84 years	1.8%	13.0%	1.1%	14.5%	5.7%	7.1%
85 years and over	0.1%	2.6%	0.1%	2.2%	0.9%	1.9%
Median Age (years)	30.0	48.0	28.0	43.0	31.0	36.0
<b>Country of Birth</b>						
Australia	39.1%	54.1%	31.0%	44.7%	39.5%	61.9%
Aboriginal and Torres Strait Islanders	1.4%	3.1%	0.6%	5.4%	2.2%	1.4%
Other Overseas Born	44.8%	32.2%	57.9%	46.3%	47.7%	30.5%
<b>Household Composition</b>						
Couple family with no children	35.0%	23.3%	34.0%	19.2%	29.2%	23.8%
Couple family with children	10.5%	7.7%	12.7%	5.6%	9.6%	37.5%
Couple family - Total	45.5%	31.0%	46.6%	24.9%	38.8%	61.3%
One parent family	4.7%	5.2%	4.5%	9.6%	5.9%	11.1%
Other families	2.7%	1.4%	2.5%	1.8%	2.2%	1.3%
Lone person household	26.5%	52.4%	24.8%	53.5%	36.2%	21.7%
Group Household	20.6%	10.0%	21.6%	10.2%	16.8%	4.6%
<b>Dwelling Structure (Occupied Private Dwellings)</b>						
Separate house	0.2%	0.3%	0.0%	0.2%	0.2%	57.2%
Semi-detached, townhouse etc.	9.0%	18.6%	4.7%	10.1%	9.4%	14.0%
Flat, unit or apartment	90.9%	81.2%	95.3%	89.4%	90.4%	28.2%
Average household size	2.2	1.8	2.2	1.7	2.0	2.8
<b>Tenure Type (Occupied Private Dwellings)</b>						
Owned outright	8.4%	13.7%	8.6%	3.4%	8.1%	30.0%
Owned with a mortgage	25.2%	16.7%	25.3%	10.8%	20.7%	34.2%
Rented	66.0%	68.2%	65.7%	84.6%	70.5%	35.1%
State or territory housing authority	4.4%	41.0%	0.8%	61.6%	21.8%	4.2%
<b>Attending Education (% of those attending)</b>						
Pre-school	2.6%	6.9%	2.3%	2.4%	2.7%	6.9%
Infants/Primary Total	6.5%	18.9%	5.8%	11.8%	7.8%	32.2%
Secondary Total	5.7%	14.4%	4.1%	11.2%	6.4%	25.0%
Technical or Further Education	13.3%	17.6%	7.5%	13.0%	11.2%	7.6%
University or other Tertiary Institution	58.3%	32.9%	71.4%	53.5%	61.3%	24.2%
Other type of educational institution	13.5%	9.3%	9.0%	8.0%	10.6%	4.0%
% of population attending education	26.8%	12.3%	32.2%	17.1%	24.5%	25.2%
<b>Highest Level of Non-School Qualification</b>						
Postgraduate degree	20.3%	15.8%	25.1%	15.4%	20.6%	13.9%
Graduate diploma or certificate	3.7%	4.2%	3.1%	3.3%	3.5%	3.4%
Bachelor degree	49.1%	45.6%	46.1%	40.4%	46.3%	36.4%
Advanced diploma or diploma	14.0%	16.6%	13.3%	16.9%	14.5%	17.7%
Certificate	13.0%	17.8%	12.4%	24.0%	15.1%	28.6%
<b>Employment Status</b>						
Unemployed/ looking for work	6.5%	7.6%	6.9%	12.9%	7.6%	6.0%
Labour force participation rate	75.8%	58.3%	68.0%	45.8%	65.1%	65.6%

Source: 2016 ABS Census of Population and Housing



## 5.4 Employment and Worker Profile

A review of jobs within the MTA has been undertaken taking into account the employment estimates from 2011 and 2016 ABS Census, as well as projections sourced from Transport for NSW.

Industry releases indicate that in 2016 approximately 5,946 workers had jobs located within the MTA. Employment projections suggest estimated 9,161 jobs in the MTA by 2036, an increase in the size of the local workforce of +54% over the period from 2016 to 2036.

An industry breakdown of employment within the MTA is shown over the page in **Table 4**. Key points to note regarding changes in the employment industry profile between 2011 and 2016 include:

- In 2011, the MTA workforce was heavily dominated by secondary sector activities and producer services, which were driven by the historical role as an inner-city industrial and warehouse precinct.
- The largest industries of employment in 2011 were wholesale trade (17.2%), manufacturing (15.7%), retail trade (15.8%), and transport, postal and warehousing (10.5%).
- The above listed industries (with the exception of retail trade) declined between 2011 and 2016, include a -79% reduction in transport, postal and warehousing employment, -75% loss in manufacturing, and a -49% in employment associated with warehousing activities.
- Retail trade was the fastest growing industry over the period, increasing by +527 workers (or +56%) over 2011 to 2016.
- Other significant growth industries include accommodation and food services, health care and social assistance, construction, administrative and support services, professional, scientific and technical services, and art and recreation services.

The above highlights the shift in the worker profile within the MTA from a largely industrial and warehouse precinct to an area with an increased focus on consumer-based services and industries of employment targeting a more skilled workforce.

Considerations for the future workforce suggest the following changes between 2016 and 2036:

- Significant growth of consumer-based services industries (+2,406 jobs), with a smaller share of growth in producer services (+383 jobs), and secondary sector activities (+424 jobs).
- Retail trade will continue to be the largest growing industry, supporting an additional +672 workers over the period to 2036.
- Health care and social assistance will also increase by +589 jobs, responding to the significant population growth planned within the local area.
- The construction industry is forecast to increase by +324 jobs, reflecting the ongoing residential development within the MTA.
- In total, an increase in the workforce by +3,212 jobs over the period to 2036 is forecast. Based on population projections for the area with +20,600 new residents by 2036, this data suggests a very high share of new MTA residents will work outside of the immediate precinct.

The proposed Woolworths Waterloo development would support employment opportunities across a range of industries through the provision of retail facilities, as well as commercial office floorspace. This will help maximise local employment opportunities and enhance economic opportunity for the local community.

**Table 4 Industry of Employment – MTA, 2011 - 2036**

	2011		2016		2036		Change (2016-2036)
	No.Jobs	%	No.Jobs	%	No.Jobs	%	No.Jobs
<b><u>Primary Sector</u></b>							
Agriculture, Forestry and Fishing	0	0.0%	0	0.0%	0	0.0%	0
Mining	3	0.0%	0	0.0%	0	0.0%	0
<b>Sub-Total Primary Sector</b>	<b>3</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>
<b><u>Secondary Sector</u></b>							
Manufacturing	942	15.7%	234	3.9%	334	3.7%	100
Construction	251	4.2%	437	7.3%	761	8.3%	324
<b>Sub-Total Secondary Sector</b>	<b>1,193</b>	<b>19.9%</b>	<b>671</b>	<b>11.3%</b>	<b>1,095</b>	<b>12.0%</b>	<b>424</b>
<b><u>Tertiary Sector</u></b>							
<b>Producer Services</b>							
Electricity, Gas, Water and Waste Services	15	0.2%	5	0.1%	4	0.0%	-1
Transport, Postal and Warehousing	630	10.5%	131	2.2%	132	1.4%	1
Information Media and Telecommunications	97	1.6%	143	2.4%	164	1.8%	21
Financial and Insurance Services	72	1.2%	66	1.1%	82	0.9%	16
Rental, Hiring and Real Estate Services	207	3.4%	243	4.1%	360	3.9%	117
Wholesale Trade	1,030	17.2%	529	8.9%	758	8.3%	229
<b>Sub-Total Producer Services</b>	<b>2,051</b>	<b>34.2%</b>	<b>1,117</b>	<b>18.8%</b>	<b>1,500</b>	<b>16.4%</b>	<b>383</b>
<b>Consumer Services</b>							
Retail Trade	949	15.8%	1,476	24.8%	2,148	23.4%	672
Accommodation and Food Services	353	5.9%	657	11.0%	992	10.8%	335
Arts and Recreation Services	67	1.1%	185	3.1%	315	3.4%	130
Administrative and Support Services	209	3.5%	397	6.7%	604	6.6%	207
Professional, Scientific and Technical Services	411	6.8%	532	8.9%	852	9.3%	320
Public Administration and Safety	222	3.7%	134	2.3%	144	1.6%	10
Education and Training	303	5.0%	329	5.5%	471	5.1%	142
Health Care and Social Assistance	244	4.1%	451	7.6%	1,040	11.4%	589
<b>Sub-Total Consumer Services</b>	<b>2,758</b>	<b>45.9%</b>	<b>4,161</b>	<b>69.9%</b>	<b>6,567</b>	<b>71.7%</b>	<b>2,406</b>
<b>Sub-Total Tertiary Sector</b>	<b>4,809</b>	<b>80.1%</b>	<b>5,278</b>	<b>88.7%</b>	<b>8,066</b>	<b>88.0%</b>	<b>2,788</b>
<b>Total</b>	<b>6,005</b>	<b>100.0%</b>	<b>5,949</b>	<b>100.0%</b>	<b>9,161</b>	<b>100.0%</b>	<b>3,212</b>

Source: ABS 2016 Census of Population and Housing, Transport for NSW

## 5.5 Retail Expenditure

Estimates of retail spending by residents of the MTA have been prepared with reference to the MarketInfo retail spending model. MarketInfo is a micro-simulation model which uses a variety of data sources including ABS Household Expenditure Survey, ABS Census of Population and Housing data, ABS Australian National Accounts, and other relevant sources.

Estimates of retail spending by residents in the study area are provided for the following broad product categories:

- **Food, liquor and groceries (FLG)** – includes spending on fresh food, groceries and take-home liquor. This main category is relevant to supermarket-based shopping.
- **Food catering** – includes cafes, restaurants and take-away food.

- **Non-Food** – includes apparel, homewares, bulky merchandise and general merchandise.
- **Retail services** – includes hairdressers, beauty salons, dry cleaners etc.

Estimates of the total retail expenditure by category is presented in **Table 5** below. These figures are based on the application of the average per capita spending levels to the current and forecast MTA population. In addition, an allowance for real growth in average per capita retail spending has been applied that reflects long-term trends as measured by the ABS Australian National Accounts.

*All retail spending forecasts are presented in constant 2021 dollars.*

**Table 5 Total Retail Expenditure, Woolworths Waterloo MTA, 2021 to 2036 (\$2021)**

Retail Category	2021	2026	2031	2036
<b>Primary Sector</b>				
FLG	\$71.3m	\$93.7m	\$108.0m	\$115.5m
Food Catering	\$45.0m	\$59.8m	\$69.6m	\$75.2m
Non-Food	\$83.7m	\$117.3m	\$144.2m	\$164.6m
Services	\$8.7m	\$12.0m	\$14.4m	\$16.0m
<b>Total Retail</b>	<b>\$208.7m</b>	<b>\$282.8m</b>	<b>\$336.2m</b>	<b>\$371.3m</b>
<b>Secondary North</b>				
FLG	\$32.0m	\$37.5m	\$41.7m	\$44.5m
Food Catering	\$14.6m	\$17.3m	\$19.4m	\$21.0m
Non-Food	\$33.4m	\$41.8m	\$49.7m	\$56.6m
Services	\$3.6m	\$4.4m	\$5.1m	\$5.6m
<b>Total Retail</b>	<b>\$83.6m</b>	<b>\$101.0m</b>	<b>\$115.9m</b>	<b>\$127.7m</b>
<b>Secondary South</b>				
FLG	\$63.1m	\$69.8m	\$76.7m	\$83.8m
Food Catering	\$41.2m	\$46.1m	\$51.2m	\$56.6m
Non-Food	\$80.6m	\$95.2m	\$111.6m	\$130.2m
Services	\$8.7m	\$10.1m	\$11.5m	\$13.1m
<b>Total Retail</b>	<b>\$193.7m</b>	<b>\$221.2m</b>	<b>\$251.1m</b>	<b>\$283.7m</b>
<b>Secondary West</b>				
FLG	\$42.5m	\$46.3m	\$72.7m	\$104.3m
Food Catering	\$15.4m	\$16.9m	\$26.9m	\$39.0m
Non-Food	\$34.1m	\$39.7m	\$66.5m	\$102.1m
Services	\$3.3m	\$3.8m	\$6.2m	\$9.3m
<b>Total Retail</b>	<b>\$95.4m</b>	<b>\$106.7m</b>	<b>\$172.3m</b>	<b>\$254.7m</b>
<b>Main Trade Area</b>				
FLG	\$208.9m	\$254.9m	\$313.2m	\$364.5m
Food Catering	\$116.2m	\$142.9m	\$172.3m	\$197.9m
Non-Food	\$231.8m	\$300.5m	\$385.0m	\$469.3m
Services	\$24.4m	\$30.9m	\$38.4m	\$45.5m
<b>Total Retail</b>	<b>\$581.3m</b>	<b>\$729.2m</b>	<b>\$908.9m</b>	<b>\$1,077.2m</b>

Source: Ethos Urban, MarketInfo.

Current total retail expenditure by residents of the MTA is estimated at \$581.3 million in 2021, and is forecast to increase to \$1.08 billion by 2036, representing an annual increase of almost \$500 million over the forecast period. That is, annual retail spending by MTA residents is projected to almost double over the next 15 years.

Spending on food, liquor and grocery (FLG) categories by MTA residents is projected to increase from \$208.9 million to \$254.9 million by 2026, and growing further to \$364.5 million by 2036. That is, annual MTA food, liquor and grocery expenditure (FLG) will increase by +\$155.6 million over the next 15 years. FLG spending is projected to increase over the period to 2036, adding+\$44.2 million annually (to reach \$115.5 million) within the Primary sector alone.

The substantial levels of growth in FLG spending highlight the rapid increase in demand that will occur and emphasises the need for new and expanded supermarket facilities, including full-line supermarkets as proposed for Woolworths Waterloo, within the MTA.

Clearly the MTA is experiencing rapid rates of spending growth, and this is expected to continue in the future. In particular, spending on FLG items sold by full-line supermarkets is projected to experience strong demand growth.

A reasonable expectation of residents is that these needs will be provided in accessible and convenient locations close to their homes, rather than require travel of greater distances in a densely populated urban environment.

## 6.0 Competitive Environment

This section reviews the competitive environment of relevance to the proposed Woolworths Waterloo development, consideration of existing and proposed supermarkets within the surrounding area has been highlighted.

### Key findings

- A full-line supermarket is generally considered a store of at least 2,500m<sup>2</sup> in size, these stores stock the full range of grocery products sold in the supermarket-retail format.
- A 'major' full-line supermarket is a full-line store of 3,200m<sup>2</sup> or larger which has the scale to meet all customer expectations in terms of store presentation, product display, shopper circulation etc. The major full-line supermarket store format is generally the preferred model for consumers as reflected in the high level of sales and customer visitation for stores of this type.
- Supermarkets between 500m<sup>2</sup> to 2,500m<sup>2</sup> are considered 'limited range' and are small to mid-size stores. These smaller supermarket formats lack the range and scale of products offered by full-line, and in particular major full-line stores, and are best suited to top-up and convenience shopping visits. The Woolworths 'Metro' store model is an example of this smaller limited range supermarket model.
- Four supermarkets are provided within the MTA with each store located more than 500m from the Subject Site. Only one major full-line supermarket is located in the MTA, namely Coles (4,020m<sup>2</sup>) at East Village 0.9km from the Subject Site in with Secondary South sector. A full-line supermarket of 2,600m<sup>2</sup> is located in the Primary Sector at Danks Street Plaza which is at the lower-end of size expectations for a full-line store.
- The Coles at East Village (as the only major full-line supermarket in the precinct) shows clear signs during site inspections of congestion and overcrowding during peak periods. It is understood the Coles is among the busiest in the country at in the order of \$100 million per annum. At this level the store achieves a sales level that is triple the typical average for a full-line supermarket in Australia (of around \$35 million). This emphasises both the appeal of major full-line supermarkets for local consumers, and also highlights the current under-provision of full-line supermarkets which will be met in part by the proposed Woolworths Waterloo.
- A number of larger retail centres including regional and sub-regional shopping centres operate beyond the defined MTA and more than 3km from the Subject Site. Each of these centres include one or more major full-line supermarkets and as such attract a proportion of MTA supermarket expenditure that might otherwise be more convenient for consumers if provided locally.
- Key centres such as the GSTC will continue to grow in the future, adding retail floorspace as future stages are developed. However, no additional major supermarket anchor tenant is likely to be provided at the GSTC although a full-line supermarket is proposed at Emerald City.
- Several proposed supermarket developments are planned within the broader area, although any proposed major full-line supermarket will remain more than 500m, and in most cases more than 1km, from the Subject Site. Reflecting the very high population density in this part of Sydney, a large number of residents would not have access to a full-line supermarket in close proximity to their homes without the delivery of Woolworths Waterloo.
- A substantial opportunity for additional full-line supermarket facilities exists within the MTA and more broadly within this part of Sydney which ensures walkable and convenient access the basic grocery products which support a contemporary lifestyle.

## 6.1 Existing Supermarkets

A full-line supermarket is generally considered a store of at least 2,500m<sup>2</sup> in size, these stores stock the full range of grocery products sold in the supermarket-retail format.

A 'major' full-line supermarket is a full-line store of 3,200m<sup>2</sup> or larger which has the scale to meet all customer expectations in terms of store presentation, product display, shopper circulation etc. The major full-line supermarket store format is generally the preferred model for consumers as reflected in the level of sales and customer visitation for stores of this type.

A summary of existing supermarkets and key retail centres within the region surrounding the Subject Site is shown in **Table 6**, with **Figure 14** outlines the location of these stores.

Four supermarkets are currently in the MTA including:

- An ALDI supermarket of 1,500m<sup>2</sup> at the Danks & Bourke centre in Waterloo, some 0.5km north-east of the Subject Site (Primary sector). This centre includes several convenience-based retail tenancies as well as some commercial floorspace.
- A Coles supermarket of 2,600m<sup>2</sup> located in the Meriton Retail Precinct, part of Danks Street Plaza in Waterloo, 0.5km north-east of the Subject Site (Primary sector) and in proximity to the ALDI. This centre forms a mixed-use precinct with a range of retail specialty stores primarily serving a local convenience function, although with some takeaway food, cafes and restaurants also provided. The Coles supermarket of 2,600m<sup>2</sup> is just large enough to be considered a full-line store although lacks the scale to provide the customer amenity and product range of a major full-line supermarket.
- A Coles supermarket of 4,020m<sup>2</sup> is provided at East Village around 0.9km south-east of the Subject Site (Secondary South sector). East Village is the major retail destination in the area currently, and in addition to the major full-line Coles supermarket has a large provision of specialty stores and key destination tenants such as East Phoenix Chinese restaurant, Virgin Active and Audi Centre Sydney. The centre forms part of a mixed-use destination, including a range of takeaway, cafes and restaurants.
- An IGA supermarket of approximately 900m<sup>2</sup> is provided as part of the broader Botany Road retail strip in Waterloo, located around 1.4km north-west of the Subject Site (Secondary West sector).

In total, an estimated 9,020m<sup>2</sup> of supermarket floorspace is provided in the MTA, with each store located 500m or more from the Subject Site. Only one major full-line supermarket, namely Coles at East Village is provided in the MTA approximately 0.9km from the Subject Site.

In addition to the above, a number of supermarkets are also provided beyond the MTA boundary, and within 2km of the Subject Site. These include a range of other small and mid-scale supermarkets including smaller Woolworths and IGA metro supermarkets at GSTC, Alexandria, South Eveleigh, Redfern and Rosebery. Each of these stores is between 600m<sup>2</sup> to 2,200m<sup>2</sup> and as such do not provide a full-line supermarket offer.

While limited range supermarkets serve a key role in the retail hierarchy by serving the top-up and immediate needs of the surrounding population, it is only the full-line supermarkets that provide the complete supermarket offer and convenient experience, including comprehensive range of choice and price competition for customers. As such, full-line supermarkets, and in particular major full-line supermarkets of larger than 3,200m<sup>2</sup>, represent a critical component within a holistic retail network.

The only major full-line supermarket within the MTA is located some 900m south-east of the Subject Site, within the Secondary South sector at East Village. No major full-line supermarkets are provided within the Primary sector.

Reflecting the large amount of population growth that has occurred in this area in recent years and the strong demand for major full-line supermarkets in the precinct, the Coles at East Village shows clear signs of congestion and overcrowding during peak periods.

This is evident by the volumes of sales being achieved which is understood to be among the highest in the country. Sales at Coles East Village is understood to be in the order of \$100 million per annum. At this level the store would be considered among the best performing supermarkets in Australia, and represent a sales level that is triple the typical average for a full-line supermarket in Australia (of around \$35 million). This emphasises both the appeal of

major full-line supermarkets in the market, but also highlights the underprovision of full-line supermarkets within the region currently.

East Village overall is a very successful centre, recording sales of around \$160 million annually. This strong trading level is reflected in the centre's Number 1 ranking shopping centre nationally against comparable centre on a sales per square metre basis as outlined in the SCN Little Guns publication (2020). East Village has maintained this top ranking for five (5) years.

**Table 6 Supermarket Competition (existing)**

Location	Major Tenant	Supermarket GLA	Supermarket range	Total Retail GLA	Distance from site (km)*
<b>Within Trade Area</b>					
<b>Primary</b>					
<u>Waterloo</u>					
• Danks Street Plaza	Coles	2,600	Full-line	4,000	<u>0.5</u>
• Danks & Bourke	ALDI	1,500	Reduced range	2,250	
• Other				4,750	
<b>Secondary South</b>					
<u>Zetland</u>					
• East Village	Coles	4,020	Major full-line	11,100	<u>0.9</u>
• Other				3,400	
<b>Secondary West</b>					
<u>Waterloo</u>					
• Botany Road	IGA	900	Reduced range	1,900	<u>1.4</u>
• Other				2,100	
<b>Beyond Trade Area</b>					
Green Square TC	Woolworths Metro	2,060	Reduced range	4,500	<u>0.6</u>
<u>Alexandria</u>					
• 222 Wynham Street	IGA	1,000	Reduced range	1,250	<u>1.0</u>
• Fountain Street	Woolworths Metro	2,100	Reduced range	4,000	
• Other				9,750	
<u>Redfern</u>					
• Chalmers Street	Woolworths Metro	2,200	Reduced range	2,200	<u>1.4</u>
• Redfern Village	Independent	600	Reduced range	600	
• Other				16,800	
<u>Rosebery</u>					
• Confectioners Way	Woolworths Metro	950	Reduced range	1,200	<u>2.0</u>
• Botany Road	IGA	800	Reduced range	800	
• Other				3,000	
South Eveleigh	Locali by IGA	2,000	Reduced range	10,000	2.0
Park Sydney Village	Woolworths Metro	1,490	Reduced range	2,000	2.0

Source: Ethos Urban

\*Distance by road (rounded)

**Figure 14 Supermarket Competition**



Source: Ethos Urban

A number of larger retail centres including regional and sub-regional shopping centres operate beyond the defined MTA and more than 3km from the Subject Site. Each of these centres include one or more major full-line supermarkets and as such, are likely to attract a proportion of MTA supermarket expenditure particularly given the current under-provision of supermarkets as identified above.

The centres of most relevance include:

- **Broadway Shopping Centre:** A sub-regional shopping centre of 52,700m<sup>2</sup> that is anchored by Coles, Kmart, Target, ALDI and over 130 specialty stores.
- **Westfield Bondi Junction:** A major regional shopping centre of around 130,000m<sup>2</sup> that includes David Jones, Myer, Target, Coles, Woolworths, and over 300 specialty stores.
- **Marrickville Metro:** A sub-regional shopping centre anchored by Kmart, Woolworths, Coles and ALDI along with over 130 specialty stores following the recent expansion.
- **Westfield Eastgardens:** A regional shopping centre with 83,000m<sup>2</sup> of leasable floorspace including Myer, Big W, Kmart, Target, Woolworths, Coles and ALDI. Over 200 specialty stores are also provided.
- **Eastlakes Shopping Centre and The Grand Eastlakes:** A newly expanded precinct around Evans Avenue and the existing Eastlakes Shopping Centre is now anchored by a Woolworths supermarket of around 3,000m<sup>2</sup>, and an ALDI of 1,740m<sup>2</sup>. A smaller Woolworths Metro of less than 500m<sup>2</sup> is also provided alongside the ALDI as part of The Grand Eastlakes, and demonstrates the ability of various supermarket formats to co-exist in order to meet the various needs of consumers. The existing Woolworths supermarket of around 3,000m<sup>2</sup> on the southern side of Evans Avenue will be expanded to a major full-line store of 3,610m<sup>2</sup> as part of the next stage of development.



In addition, retail facilities, including an extensive range of non-food retailers as well as number of supermarkets are provided within the Sydney CBD, around 5km north of the Subject Site. These facilities may also account for a small proportion of MTA supermarket expenditure due to the resident population who may typically work in the CBD and utilise these facilities.

## 6.2 Proposed Supermarkets

A number of stores are currently planned or being developed as summarised in **Table 7**.

Proposed supermarkets that are planned within the MTA include:

- A Woolworths Metro supermarket of around 680m<sup>2</sup> is planned to be provided along Archibald Avenue, within the Lachlan Precinct, around 0.4km east of the Subject Site. For the purposes of this assessment this store is assumed to be trading by 2025.
- A small Metro supermarket is also likely to be provided as part of the Waterloo Metro OSD, around 1km north-west of the Subject Site within the Secondary West sector. While planning remains underway, it is anticipated that the Metro store may be 1,250m<sup>2</sup>. For the purposes of this assessment, the supermarket is assumed to be trading by 2025.

Beyond the MTA, proposed supermarket developments include:

- A major full-line supermarket is proposed at Emerald City, some 0.8km south-west of the Subject Site. The site is located immediately beyond the defined MTA, and is opposite the GSTC. It is likely that a Coles supermarket of 3,880m<sup>2</sup> will anchor the Emerald City project, with the centre to include a total of around 7,300m<sup>2</sup> of retail floorspace as part of the broader mixed-use development. Despite the development delay (originally approved 2013) the supermarket is expected to be trading by 2025.
- The Surry Hills Shopping Village, located some 1.2km north of the Subject Site is currently being redeveloped. The mixed-use project will ultimately deliver a major full-line Coles supermarket of around 4,200m<sup>2</sup> which will replace the former Coles store of 3,100m<sup>2</sup>. For the purposes of this analysis the project is assumed to be complete by 2024.
- A major full-line Coles supermarket of 4,000m<sup>2</sup> is also planned to be provided as part of the second stage of the Park Sydney Village development in Erskineville. This development located some 1.9km west of the Subject Site and is assumed to be complete by 2026.

In addition to the above, future retail floorspace is planned as part of the continued development of Green Square Town Centre (GSTC). While plans are yet to be finalised, it is understood that additional retail floorspace would be in the order of 9,000m<sup>2</sup>, resulting in total retail floorspace at the GSTC of around 13,500m<sup>2</sup>.

Reflecting the built form and site configuration, no major supermarket anchor tenant is likely to be provided at the GSTC. Additional retail floorspace is likely to be focused on supporting the role of GSTC as a strategic centre and incorporating higher order food, dining and entertainment facilities. For the purposes of this assessment, the additional retail floorspace at GSTC is assumed to be complete by 2026.

A large supermarket has also been discussed as part of a future retail project within the Waterloo Estate in the Secondary West sector near George Street and John Street. Reflecting the uncertain nature of this proposal, combined with the completion timeframe for the Waterloo Estate of 2030-2040, a full-line store at this location is not assumed to be trading prior to 2026 and the proposed Woolworths Waterloo development. Any supermarket at the Waterloo Estate, if delivered, would be in the longer term.

Remaining supermarket developments in the broader area are located well away from the Subject Site and as such, will be of limited competitive relevance to the proposed Woolworths Waterloo.

Notwithstanding several current proposed major full-line supermarkets, each is more than 500m, and in most cases, more than 1km from the Subject Site.

Reflecting the very high population density in this part of Sydney, a large population would not have access to a full-line supermarket in close proximity to their homes without the delivery of Woolworths Waterloo.

**Table 7 Supermarket Competition (proposed)**

Location	Major Tenant	Supermarket GLA (m <sup>2</sup> )	Supermarket range	Total Retail GLA	Distance from site (km)*	Assumed First Full Year of Trading
<b>Subject Site</b>	<b>Woolworths</b>	<b>3,200<sup>1</sup></b>	<b>Full-line</b>	<b>4,460</b>	<b>-</b>	<b>2025/26</b>
Archibald Avenue	Woolworths	680	Reduced range	680	0.4	2024/25
Green Square TC - Remainder				9,047	0.6	2025/26
Emerald City	Coles (TBC)	3,880	Major full-line	7,318	0.8	2024/25
Waterloo Metro	Unknown	1,250	Reduced range	5,000	1.0	2024/25
Surry Hills Shopping Village	Coles	4,200	Major full-line	7,825	1.2	2023/24
Park Sydney Village - Stage 2	Coles	4,000	Major full-line	8,000	1.9	2025/26

Source: Cordell Connect, Ethos Urban

<sup>1</sup>GFA

\*Distance by road

At present only one major full-line supermarket is located within the MTA as illustrated in **Figure 15**.

Full-line supermarkets in a densely populated and intensive urban environment should be provided within an easy walking distance, or at least in close proximity, to a significant proportion of the resident population.

However, the only existing major full-line supermarket is currently located in the Secondary South sector, with a smaller full-line Coles supermarket in the Primary sector. This is despite the large residential population concentrated in the Primary sector (12,500 persons) and MTA (34,800 persons). This indicates a discrepancy between the location of full-line supermarkets and the existing and proposed residential population.

Furthermore, no other major full-line supermarkets are currently proposed within the MTA in the next five (5) years.

A substantial opportunity for additional full-line supermarket facilities exists within the MTA and more broadly within this part of Sydney. The proposed supermarket at the Subject Site will anchor a new neighbourhood centre, that enhances convenient and walkable access to basic grocery products. These essential components of a vibrant and successful retail network will be important for South Sydney to remain an attractive and growing destination in the future.

**Figure 15 Existing and Proposed Major Full-line Supermarkets**



Source: Ethos Urban, Cordell Connect

## 7.0 Customer Movement Patterns

This section reviews transaction and mobile location data in order to analyse customer movements and spending patterns within Waterloo and the surrounding precinct.

### Key findings

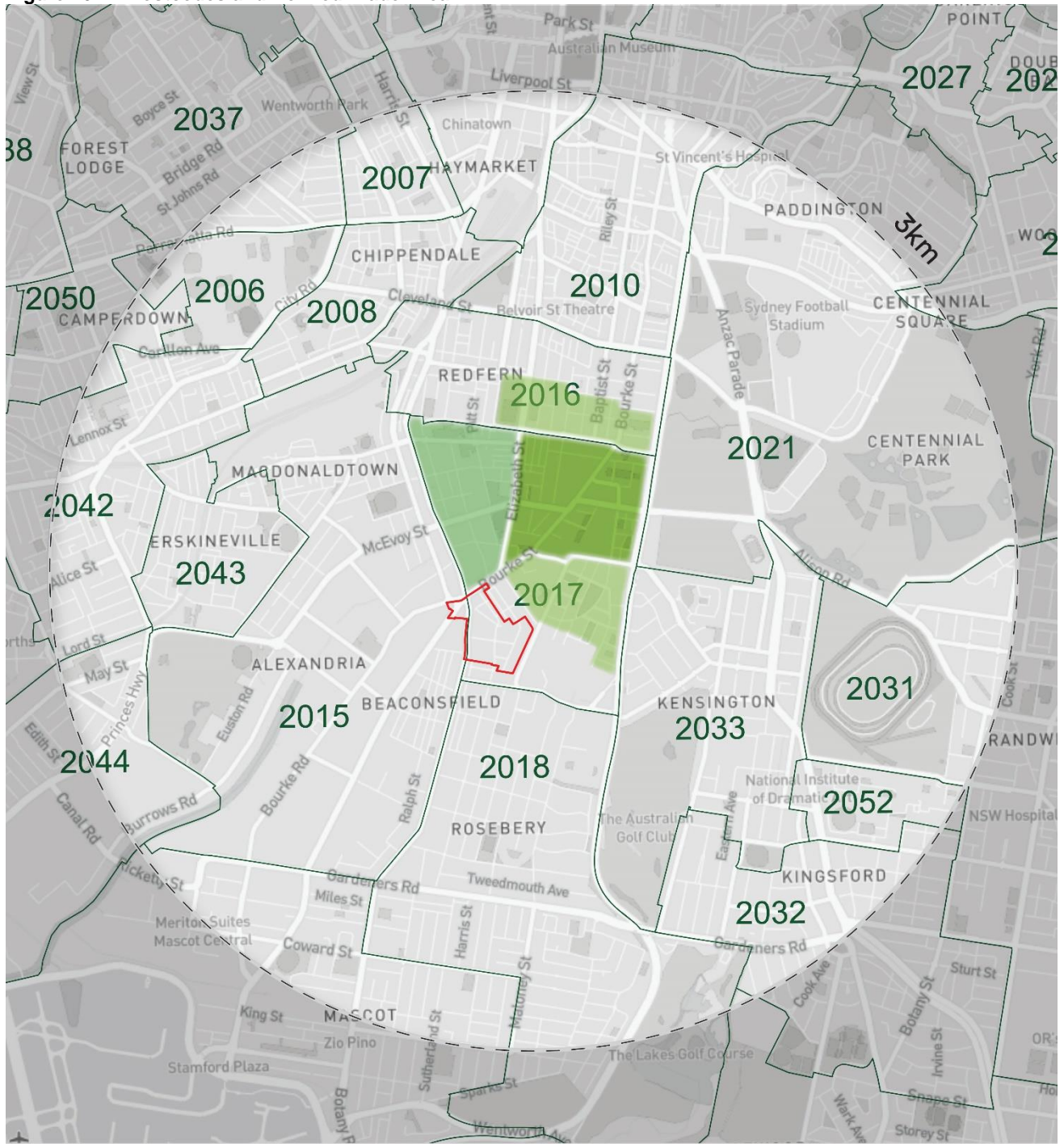
- Analysis of Quantum transaction data shows a diverse supermarket shopping profile, including a preference for many local residents to shop after hours and on weekends. This demand for shopping outside normal business hours is particularly prevalent in the postcode of Waterloo.
- Quantum data also indicates that a substantial share of supermarket expenditure is currently escaping from the local area, and being directed to more distant full-line supermarkets. In 2019, 45.3% of supermarket expenditure within the postcode of 2017 (Waterloo) was being directed to supermarkets located outside of the 2017 postcode area - a significant share given the highly built-up and densely populated nature of the area.
- This share of escape expenditure (leakage) has been increasing over time from Waterloo (postcode 2017). In 2015, leakage accounted for 42% of all supermarket spend in Waterloo (postcode 2017), increasing to 45% by 2019.
- While the increase in leakage may appear small, over this period the population has also increased substantially, and additional supermarkets have opened including Woolworths Metro at Green Square. As such, this represents a significant increase in total spending that is being directed outside Waterloo (postcode 2017). At the same time, population growth has exacerbated accessibility and local traffic congestion challenges.
- The escaped expenditure from Waterloo (postcode 2017) is primarily directed to Redfern, Alexandria and Bondi Junction. These all contain major full-line supermarkets, strongly indicating that customers in Waterloo (postcode 2017) find these supermarkets more convenient potentially due to factors such as congestion.
- Customer visitation data from 'Near' also highlights that customers regularly visit a range of supermarkets including physical full-line stores. The appeal of centres such as East Village to a broad population (and not just residents within the immediate area) is also highlighted. This is supported by mobile location data and reinforced by reviewing the trade area defined for East Village (by former owners PAYCE) which suggests the centre serves a main trade area that extends 2-4km from the site – serving an area that is around four (4) times larger than the proposed Woolworths Waterloo MTA.
- Results from the transaction and mobile location data highlights the importance of full-line supermarkets for Waterloo residents. They frequently travel longer distances within and outside of their immediate area in order to shop at full-line supermarkets at locations such as East Village, and also more broadly including Bondi Junction.
- The provision of additional full-line supermarkets in Waterloo would result in improved amenity, access, range and choice that is available to the substantial existing and growing resident population. In turn, the proposed store will enable residents to shop locally and reduce distance travelled to other major full-line stores beyond the MTA.

### 7.1 Transaction Data Analysis

Evidence of consumer preferences can be outlined using transaction data from Quantum. Quantum is a data analytics firm with access to a range of transactional data that can be used to identify customer trends and spending patterns. Woolworths engaged Quantum to investigate supermarket spending patterns in the South Sydney region. Data was analysed at a postcode level and considered where people within each postcode shopped (at supermarkets), as well as what time and day of the week shopping trips were undertaken.

The postcodes relevant to the MTA are shown in **Figure 16**.

**Figure 16 Postcodes and Defined Trade Area**



**LEGEND**

- Green Square Town Centre
- Postcode Boundaries
- Primary
- Secondary (North & South)
- Secondary (West)

Source: ABS; Ethos Urban

A review of the supermarket shopping habits of consumers within the postcode of Waterloo (postcode 2017) using Quantum data reveals a higher proportion of after-hours and weekend supermarket spend as compared to the benchmark area of Eastlakes/Rosebery (postcode 2018). The postcode of Waterloo (postcode 2017) contains a significant share of the residential population within the MTA and has experienced substantial levels of high-density residential development.

Supermarket spending habits of residents within the postcode of Waterloo (postcode 2017) are compared against those within Eastlakes/Rosebery (postcode 2018) in **Table 8**. The table outlines colours from red to blue where numbers greater than 1.0 (represented in the blue colour) indicate areas where spending exceeds the benchmark, while areas below 1.0 (represented in the red colour) indicate spending below the benchmark. Columns contain the time of day for the hours between 7am and 10pm; while rows contain days of the week. The bottom row contains a summary of each hour across all days of the week, while the last column provides a summary for each day of the week across all of the store trading hours.

**Table 8 Waterloo (postcode 2017) Time of Day and Day of Week Spending Compared to Benchmark (2019 figures)**

Time of Day	7am	8am	9am	10am	11am	12pm	1pm	2pm	3pm	4pm	5pm	6pm	7pm	8pm	9pm	DOW total
Monday	0.9	0.6	0.8	0.9	0.8	0.8	0.8	0.7	0.9	1.1	1.0	1.3	1.4	1.8	2.5	1.0
Tuesday	0.8	0.9	0.6	0.9	0.8	0.6	0.8	0.8	0.8	0.8	0.9	1.1	1.3	1.8	1.7	0.9
Wednesday	0.9	0.9	0.7	0.8	0.8	0.7	0.7	0.8	0.7	0.8	0.8	1.1	1.0	1.7	2.0	0.9
Thursday	1.2	0.7	0.8	0.7	0.6	0.6	0.7	0.6	0.7	0.7	0.8	1.0	1.1	1.5	1.3	0.8
Friday	1.5	0.9	0.6	0.7	0.8	0.7	0.7	0.6	0.8	0.8	0.8	1.0	1.3	2.2	2.8	0.9
Saturday		1.3	1.1	1.0	1.0	1.0	0.9	0.8	0.9	1.0	1.2	1.3	1.3	2.1	2.3	1.1
Sunday	1.5	1.1	1.3	1.2	1.4	1.2	1.2	1.1	1.1	1.4	1.3	1.4	1.5	2.7	2.4	1.3
TOD total	1.1	0.9	0.9	0.9	0.9	0.8	0.9	0.8	0.9	0.9	1.0	1.2	1.2	1.9	2.0	

Source: Quantum

Notes: Benchmark area is defined as Eastlakes, Rosebery (2018)

The Quantum data indicates that Waterloo (postcode 2017) customers tend to shop more after work, late into the evenings, and on the weekends, as compared to the benchmark postcode of Eastlakes/Rosebery (postcode 2018). This indicates a preference to shop after work and therefore, longer working hours would also necessitate longer trading hours for supermarkets. Later hours of shopping could also be explained by consumers preferring to shop at times when crowds are lower and there is less congestion.

The higher levels of supermarket shopping on weekends could be attributed to the preference to undertake larger food and grocery shopping trips, typically at full-line supermarkets. This may also be due to the need for Waterloo residents to travel some distance to full-line stores which are not as conveniently located for more time constrained visits during the working week.

In contrast, in the postcode of Eastlakes/Rosebery (postcode 2018), customer shopping patterns suggest a more evenly distributed spending pattern across weekdays and weekends. This could be attributed to a more accessible store network, road access and lower levels of congestion for supermarkets serving this postcode.

The high number of weekend shopping trips by Waterloo residents is generally consistent with observations of very high levels of trading at East Village.

## 7.2 Supermarket Expenditure Analysis

Planned housing targets and associated high levels of population growth within the defined MTA will generate significant demand for additional retail floorspace in the future, including full-line supermarkets.

The Green Square region is one of the major designated growth areas in the City of Sydney - expected to account for more than a third of all future dwellings in the LGA. As such, the adequate provision of retail facilities including full-line supermarkets should be carefully considered in order to effectively serve this future population.

**A review of Quantum data shows that in 2019, 45.3% of supermarket expenditure within the postcode of 2017 (Waterloo) was being directed to supermarkets located outside of the 2017 postcode area - a significant share given the highly built-up and densely populated nature of the area.**

**This share of escape expenditure has been increasing over time from Waterloo (postcode 2017). In 2015, leakage accounted for 42% of all supermarket spending in Waterloo (postcode 2017), and increased to 45% by 2019.**

While in proportional terms the increase in leakage is modest, over this period the population also increased substantially and new supermarkets opened including Woolworths Metro at Green Square. As such, this represents a much more significant increase in the total spending that is being directed outside Waterloo (postcode 2017). At the same time, population growth has exacerbated accessibility and local traffic congestion challenges.

A comparison of leakage from surrounding postcodes is shown in **Table 9**. This analysis indicates that the high leakage from the Waterloo postcode of 2017 is not unique, with substantial escape supermarket spending common throughout South Sydney. In general terms, this indicates a wider under-provision of supermarket facilities in the South Sydney region.

**Table 9 Supermarket Spend Leakage from Surrounding Postcodes**

Postcode	Leakage (share)
Waterloo (2017)	45.3%
Alexandria (2015)	61.9%
Redfern (2016)	68.6%
Rosebery (2018)	81.7%

Source: Quantum – based on 2019 data

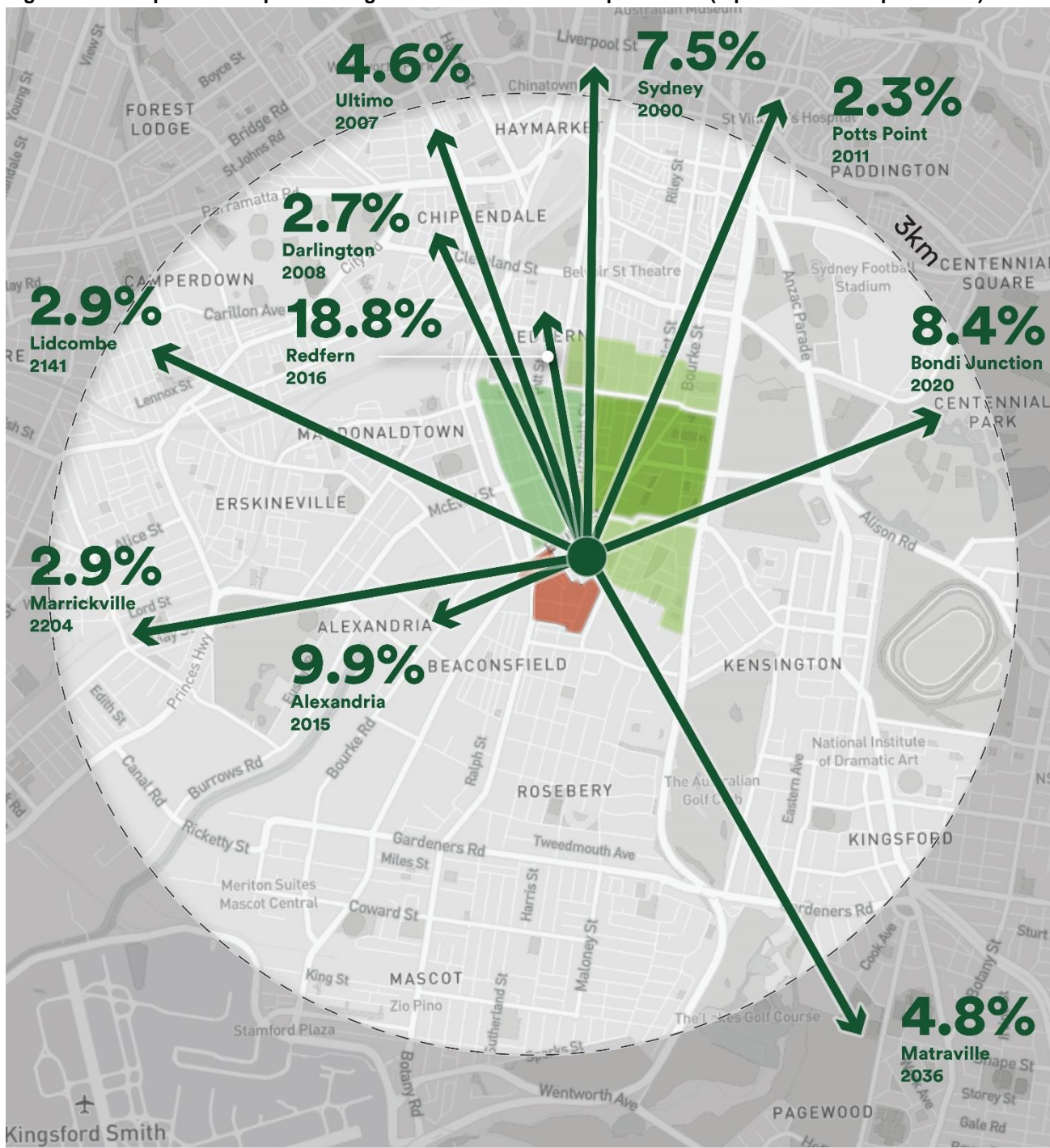
A breakdown of the top 10 postcodes where supermarket expenditure is being directed (or escaping to) is outlined in **Figure 17**.

**The escaped expenditure from Waterloo (postcode 2017) is primarily directed to Redfern, Alexandria and Bondi Junction. These all contain major full-line supermarkets, strongly indicating that customers in Waterloo (postcode 2017) find these supermarkets preferable despite their relative distance.**

Essentially, the Quantum data indicates the value that residents place on full-line supermarkets, as they frequently travel distances outside of their immediate area in order to shop at locations such as Bondi Junction where this format is available.

The provision of additional full-line supermarkets in Waterloo would result in improved amenity, access, range and choice that is available to the substantial existing and growing resident population. In turn, this would ease congestion and pressure on the local road network by reducing the need of local residents to make these trips to more distant full-line supermarket stores.

Figure 17 Supermarket spend leakage from Waterloo to other postcodes (top 10 alternative postcodes)



- LEGEND**
- Green Square Town Centre
  - Primary
  - Secondary (North & South)
  - Secondary (West)

Source: Quantum, Ethos Urban



### 7.3 Customer Visitation Analysis

A high-level review of customer visitation patterns can be observed through the use of mobile location data, such as that sourced from Near (formerly UM and UberMedia). Near sources, combines and filters location information from mobile applications and other relevant geo-location data that can be used to determine customer patterns and movements for a specified location.

*Note: visitation data is derived from a sample of visits and as such should be used as a guide only.*

We have analysed Near data for customers who visited East Village over the period from January 2018 to December 2020 in order to determine the distance travelled from their place of residence. Results of the data are presented in **Figure 18**.

The customer visitation indicates the following for East Village:

- East Village attracts customers from a broad geographic area, likely attributed to the key retailers and tenants provided at the centre, including a major full-line Coles supermarket.
- While residents within the immediate surrounding suburbs account for the highest proportion of customers, the centre attracts visitors from across South Sydney, the Eastern suburbs, CBD and inner-city areas. Some customers are travelling 5km or more in order to access East Village.

Customer origin data can also be used to highlight that supermarket customers regularly utilise a number of different stores. Over the same time period (January 2018 to December 2020) residents shopped regularly at both East Village and Surry Hills Shopping Village (noting this centre is currently being redeveloped). This is reflected in the fact that the highest number of customers to both stores come from the same suburbs including Zetland and Waterloo, and indicates that consumers will regularly travel past other smaller stores in their area in order to access their desired retail needs, including shopping at a full-line supermarket.

That is, larger full-line supermarkets are still visited frequently by shoppers who otherwise regularly visit smaller stores for top-up visits.

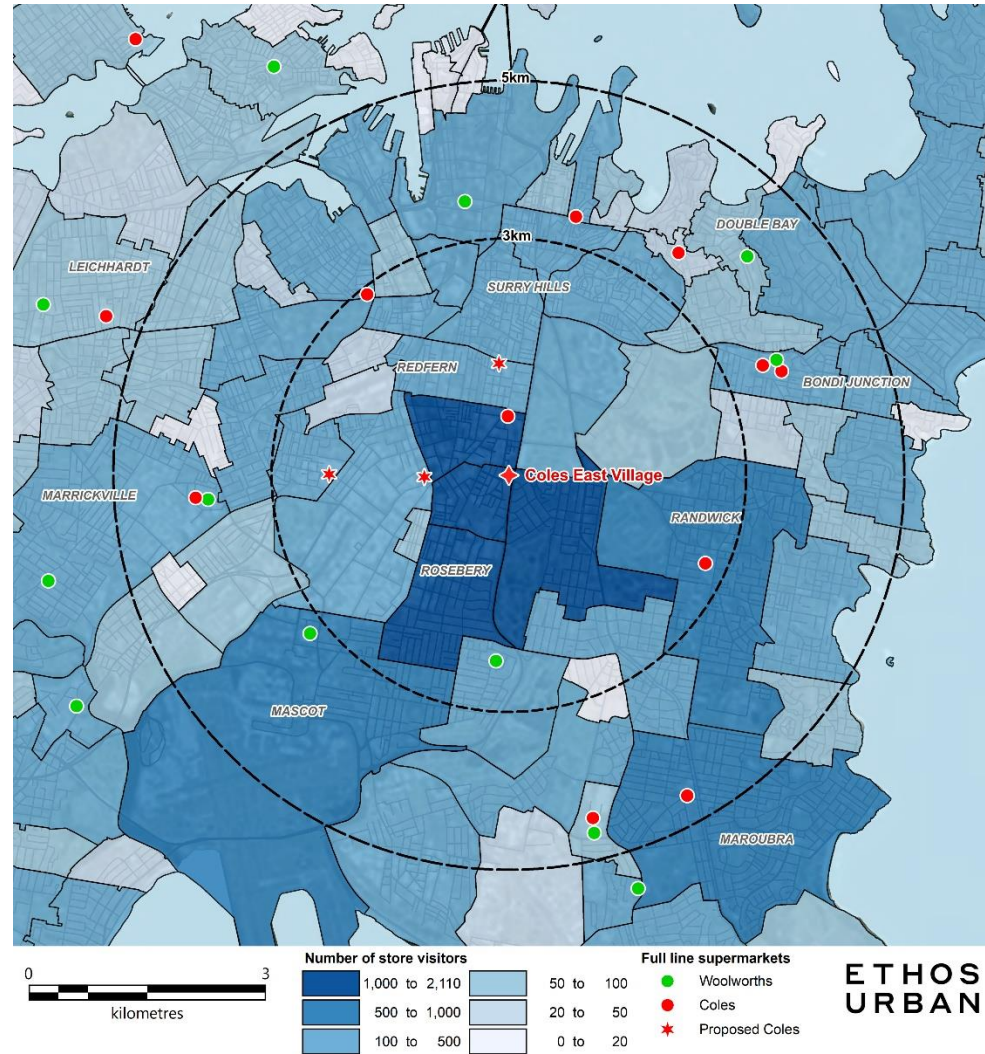
The significant draw and appeal of East Village is highlighted in the main trade area that has previously been defined for the centre in published material, which extends between 2-4 km from the centre to include a broad region extending into Randwick, Mascot and Alexandria (refer **Figure 19**).

The trade area defined for East Village is around four (4) times larger than that for the proposed Woolworths Waterloo reflecting the greater scale and diversity of uses that East Village provides.

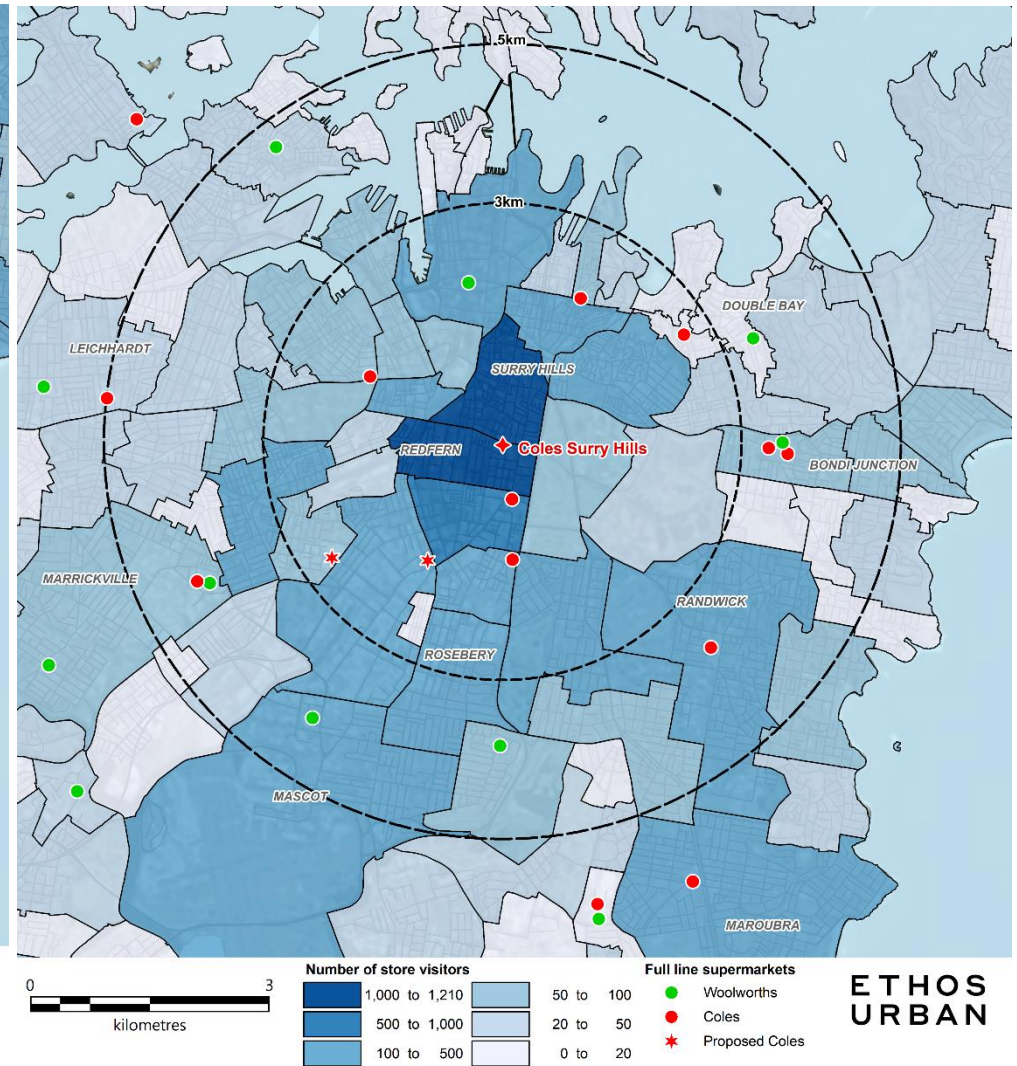
Results from the transaction and mobile location data highlights that full-line supermarkets act as key destinations for customers and supermarket expenditure across South Sydney. However, the current provision of stores is insufficient to prevent excessive levels of escape supermarket spending to other more distant centres.

**Figure 18 Customer place of residence - mobile location data, Coles East Village and Coles Surry Hills**

**Coles – East Village**

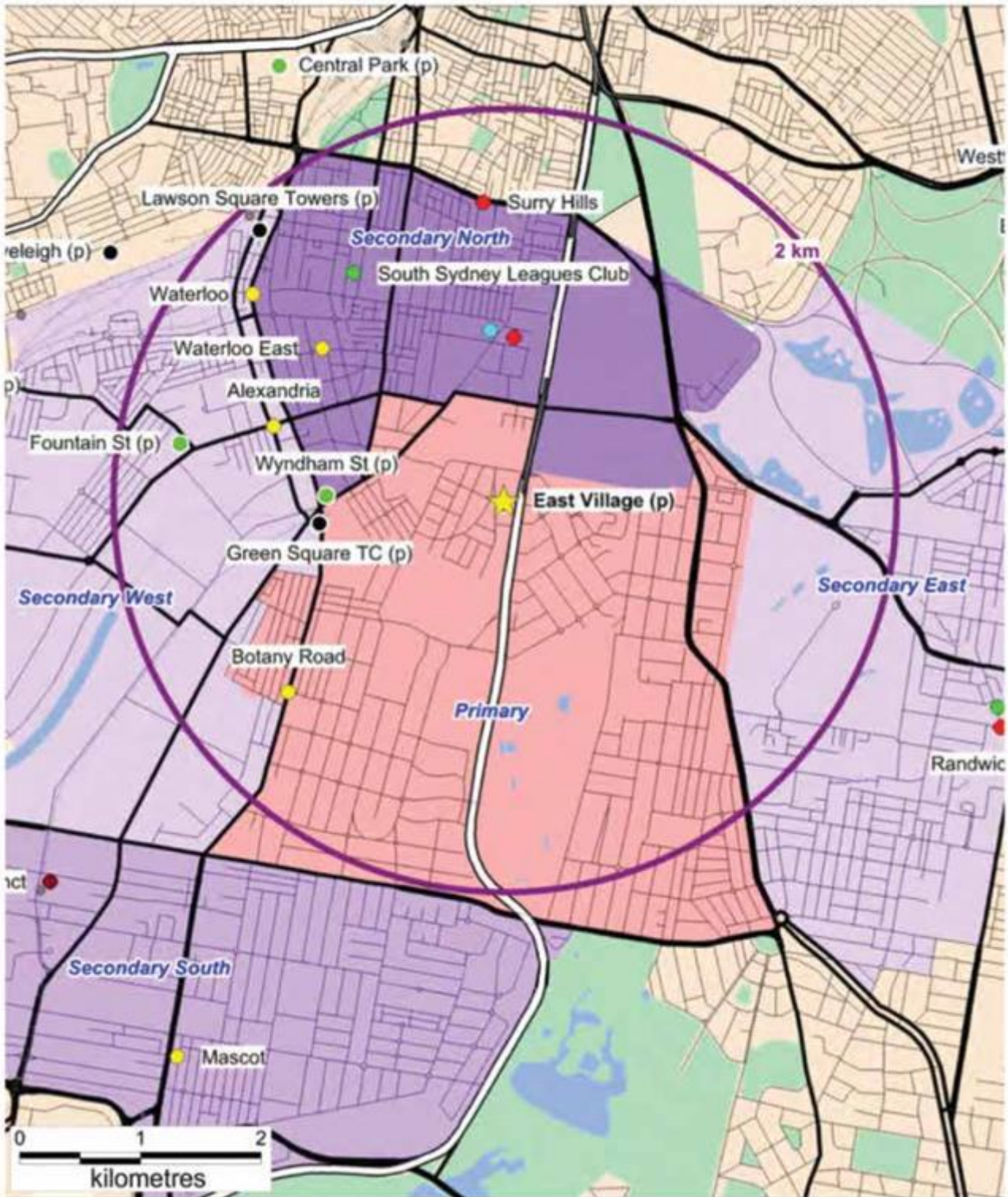


**Coles – Surry Hills**



Source: Near (UM), MapInfo, Ethos Urban (2018-2020)

Figure 19 East Village Main Trade Area - 2014



Source: PAYCE East Village Leasing Brochure, 2014

## 8.0 Retail Assessment

This section presents an assessment of retail demand based on the population and retail expenditure profile within the defined MTA and the analysis provided in the previous sections. An assessment of the market potential for the proposed Woolworths Waterloo development is also provided.

*For the purposes of this report, the first full year of trading for the proposed development is assumed to be 2025/26. This is considered a conservative assumption, as in reality the project may be later depending on planning considerations.*

### Key findings

- Strong population growth in the MTA will generate increased retail expenditure and requirements for additional retail floorspace including supermarkets.
- Even excluding any existing under-provision in the market currently, a further 53,800m<sup>2</sup> of additional retail floorspace is likely to be required by MTA residents over the period to 2036. This represents demand for an additional 3,587m<sup>2</sup> by MTA residents each year for the next 15 years. This level of demand also underscores the importance of adequately planning for future growth and development in order to serve the growing population.
- Consumer shopping behaviour, along with evidence from transactional and customer visitation data, highlights the importance of full-line supermarkets; with residents in Waterloo regularly travelling outside of their immediate area in order to access full-line supermarkets as part of their supermarket shopping needs.
- A very limited provision of just one major full-line supermarket is provided in the MTA currently, namely Coles at East Village, some 0.9km south-east of the Subject Site within the Secondary South sector. This store and offer is not convenient for a large proportion of the substantial existing and growing residential population in the MTA. The success of this store (among the best performing supermarkets in the country), highlights the strong demand and limited supply in the area.
- A supermarket capacity analysis suggests a current under-provision of supermarket floorspace in the MTA in the order of -4,522m<sup>2</sup>. This would represent the equivalent of more than one (1) major full-line supermarket (assuming 3,200m<sup>2</sup> per major full-line supermarket). Even allowing for the development of all proposed future supermarkets in the MTA (an additional two metro supermarkets as outlined in Section 6 previously) the undersupply of supermarket floorspace is projected to increase to a deficit of -11,621m<sup>2</sup> by 2036.
- This suggests that at least three (3) additional major full-line supermarkets would be required by 2036 in order to adequately service the existing and planned future growth within the MTA (including at least two new major full-line stores to service anticipated demand based on population growth between 2021 – 2036 alone). This is over and above the future metro stores already proposed in Waterloo.
- Typically, in an inner urban area a major full-line supermarket is supportable for every 10,000 persons and as such, the MTA population would support at least three (3) full-line supermarkets currently, increasing to over five (5) full-line stores by 2036 (based on the MTA population of 34,800 in 2021 increasing to 55,400 by 2036). This represents an existing shortfall of up to two (2) full-line supermarkets as at today, with this number increasing to an undersupply of up to four (4) full-line supermarkets by 2036.
- It was identified in the 2020 Retail Needs Assessment that more than eight (8) additional full-line supermarkets would be required in the broader Green Square precinct in order to adequately service the existing and planned population. This is over and above proposed supermarkets planned at Emerald City and Park Sydney, as well as numerous smaller supermarkets and re-developed stores.
- It is clear that the strong population growth that has occurred in this part of Sydney, combined with planning restrictions on larger retail tenants such as supermarkets, has resulted in an inefficient market outcome that is now in need of review in order to ensure South Sydney remains a desirable and appealing destination in the future.

- Against an environment of increasing online connectivity, online supermarket shopping will remain one component of a holistic retail network required to serve contemporary customers, with the role of full-line supermarkets critical to the success of a complete and efficient retail network. Even adopting a conservative approach based on continued strong growth in online supermarket expenditure, physical supermarket sales would still grow faster than online supermarket sales in the MTA over the period to 2036 (at +\$42 million compared to +\$26 million), based on the online share of supermarket sales increasing from 7.9% of total sales currently to c20% of total sales by 2036. This does not allow for the fact that in many instances the local supermarket will operate as the ‘fulfillment centre’ for an online purchase.
- Given the intensive built-form, only limited sites are available that would support supermarkets and major retail developments in the MTA, and as such the proposed development represents a unique opportunity to better serve the local community, particularly as the area continues to grow.
- Projected sales for the Woolworths Waterloo development indicate that the 4,460m<sup>2</sup> of retail floorspace could achieve total retail sales of \$48.5 million in 2025/26 (constant dollars), including \$38.4 million for the supermarket component.
- The addition of a contemporary full-line supermarket at the Subject Site would result in the retention of supermarket expenditure that is currently escaping the MTA, improving shopper amenity and increasing liveability in the local area.

## 8.1 Retail Floorspace Capacity Assessment

In order to understand the overall potential for retail floorspace demand growth over coming years, a high-level assessment of retail floorspace which may be supported by the MTA population over time has been undertaken. This analysis is indicative in nature and identifies the overall level of expected retail demand generated by MTA residents.

Applying an indicative Retail Turnover Density (RTD), a measure of turnover per m<sup>2</sup>, for each key retail spending category, allows for an estimate of total supportable floorspace to be calculated. Beyond 2021, an assumed increase in the RTD threshold of 0.5% per annum has been applied to reflect overall real growth in retail industry sales levels, thus ensuring the forecast retail demand is easily achievable based on current and expected spending growth.

Between 2021 and 2036 the total amount of additional retail floorspace likely to be supported by spending and population growth in the MTA is forecast to be +53,800m<sup>2</sup>, comprising +19,600m<sup>2</sup> of Food floorspace (including FLG and Food Catering) and +34,200m<sup>2</sup> of Non-Food floorspace, as summarised in **Table 10**.

**Table 10 MTA Indicative Retail Floorspace Demand Growth, 2021 to 2036**

	Food	Non-Food	Total Retail
<b>2021 Sales Density<sup>a</sup></b>	<b>\$9,000/m<sup>2</sup></b>	<b>\$6,000/m<sup>2</sup></b>	<b>\$7,400/m<sup>2</sup> (derived)</b>
2021	36,100m <sup>2</sup>	42,700m <sup>2</sup>	78,800m <sup>2</sup>
2026	42,000m <sup>2</sup>	52,700m <sup>2</sup>	94,700m <sup>2</sup>
2031	49,300m <sup>2</sup>	64,900m <sup>2</sup>	114,200m <sup>2</sup>
2036	55,700m <sup>2</sup>	76,900m <sup>2</sup>	132,600m <sup>2</sup>
<b>Total Growth 2021-2036</b>	<b>+19,600m<sup>2</sup></b>	<b>+34,200m<sup>2</sup></b>	<b>+53,800m<sup>2</sup></b>

Source: Ethos Urban

Note: a. Increases by 0.5% per annum

At present, spending by MTA residents is estimated to support approximately 78,800m<sup>2</sup> of retail floorspace. A high-level review of the facilities identified within the MTA indicates that at present the total provision of existing retail floorspace is considerably less (with key centres predominately supermarket based centres such as East Village and Danks Street Plaza etc). This reflects the significant level of escape retail expenditure by MTA residents.

**Even excluding any existing under-provision, a further 53,800m<sup>2</sup> of additional retail floorspace is likely to be supported by MTA residents over the period to 2036. This represents demand for an additional 3,587m<sup>2</sup> by MTA residents each year for the next 15 years.** This would support a range of existing and future retail developments, indicating ample demand for retail facilities within the precinct in the future. This level of demand also underscores the importance of adequately planning for future growth and development.

**The Green Square Retail Needs Assessment undertaken by our office in April 2020 indicated that the comparable figure across the broader Green Square trade area would be in the order of +168,400m<sup>2</sup> or 9,900m<sup>2</sup> each year over the period to 2036.**

## 8.2 Supermarket Capacity Assessment

As outlined previously, strong and viable supermarkets are an essential component of a successful retail network, but they can also ‘anchor’ centres and precincts, attracting customers that, in turn, support adjoining speciality retailers as well as other business and community uses.

Supermarkets account for approximately 75% of all food and grocery spending (compared to other fresh food and specialist operators such as butchers and bakers etc.). Their significant share of retail expenditure is due to supermarkets’ ability to cater to the community’s food and grocery needs.

Major full-line supermarkets of 3,200m<sup>2</sup> and larger provide the most comprehensive range of convenience-based food and grocery items, with over 20,000 stock units typically provided in a full-line store. As such, they are a critical component in the retail hierarchy and network.

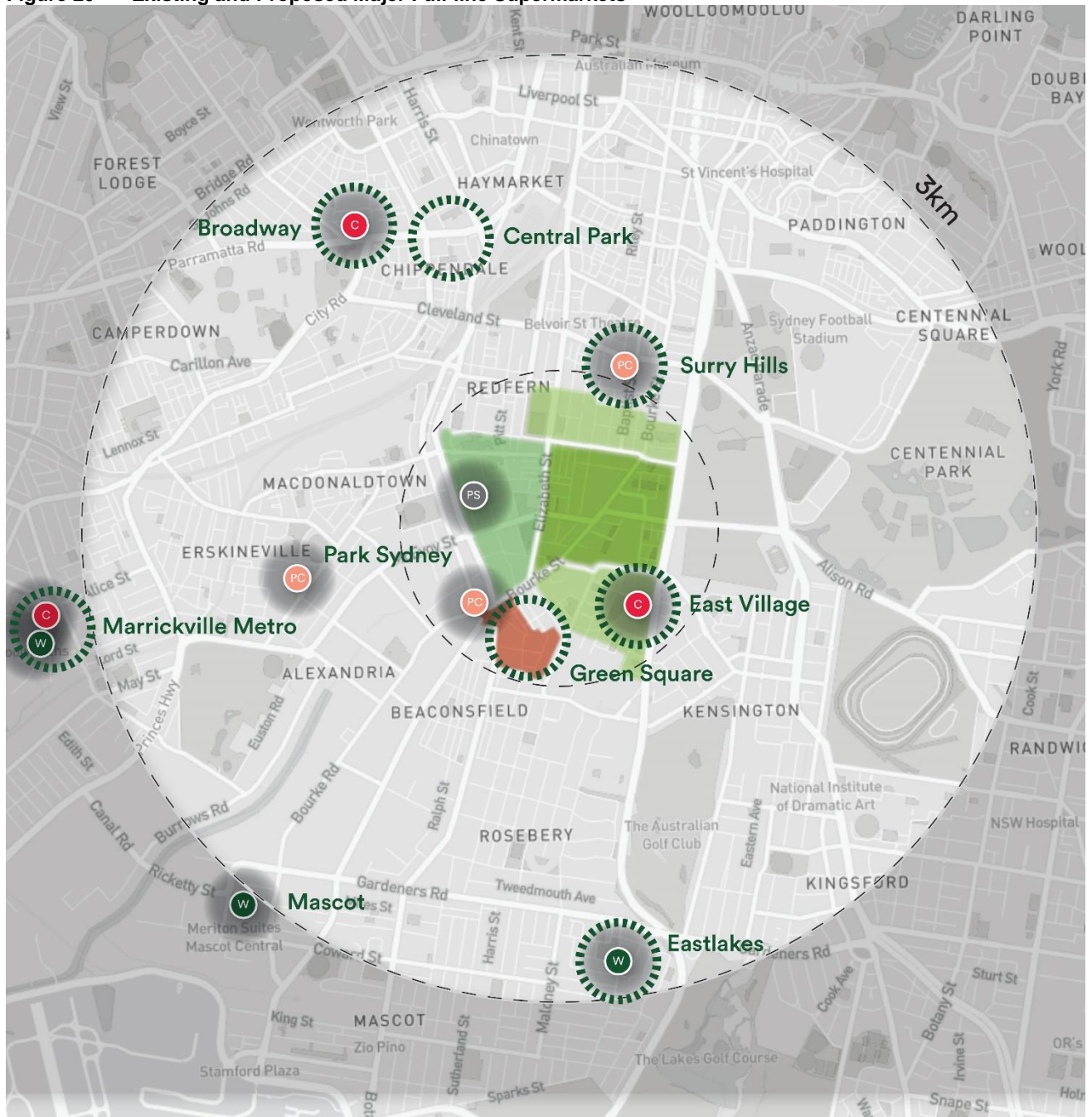
In inner city areas, the proportion of spending directed to supermarkets can be lower than 75% due to a number of factors including the demographic breakdown of the population and the availability of supermarkets compared to other fresh food and speciality food stores.

Typically, major supermarket operators would view favourably a supermarket achieving turnover in the order of \$30+ million a year, with strong trading stores typically achieving sales of \$40 million plus.

As summarised in **Section 6** four supermarkets are currently provided within the MTA. However, only one major full-line supermarket is operating, along with a smaller full-line supermarket and two reduced-range convenience supermarkets.

The nearest existing major full-line supermarket to the Waterloo site is Coles at East Village, some 0.9km south-east of the Subject Site.

**Figure 20 Existing and Proposed Major Full-line Supermarkets**



**LEGEND**

- |   |                           |   |                                      |
|---|---------------------------|---|--------------------------------------|
|  | Green Square Town Centre  |  | Major full-line Coles                |
|  | Primary                   |  | Major full-line Woolworths           |
|  | Secondary (North & South) |  | Proposed major full-line Coles       |
|  | Secondary (West)          |  | Possible major full-line Supermarket |

Source: Ethos Urban

Market intelligence, along with observation during field visits, confirms that full-line supermarkets surrounding the Subject Site are trading very strongly.

The full-line Coles supermarket at East Village is understood to trade at over \$100 million, or more than \$30,000 per m<sup>2</sup>, triple the Australian average of around \$10,000 per m<sup>2</sup>. This makes the store one of the best performing Coles supermarkets in the country. Such high trading levels has an impact on the convenience of such a facility, and underpins the significant under-provision of full-line supermarket floorspace in the locality, along with emphasising the need for additional full-line stores.

Further indications of an undersupply of supermarket floorspace include:

- Analysis by Quantum at a postcode level highlights the inefficiencies in the market demonstrated by the fact that a large proportion of residents' supermarket expenditure is being directed to stores outside the immediate area (estimated at around 45% escape spending as at 2019 based on the Waterloo postcode of 2017 and surrounds).
- The Quantum analysis of Time of Day, Day of Week (TODDOW) data suggests that MTA residents (particularly those in postcodes such as 2017 - Waterloo) are undertaking fewer and larger supermarket shopping trips on the weekends rather than more frequent, after hours and weekend visits that is typical in inner city areas where access to supermarkets is more prevalent (as outlined when compared to Eastlakes/Rosebery – postcode 2018).
- A review of mobile location data from Near shows the large distances customers are travelling in order to access a major full-line supermarkets such as Coles at East Village. This is supported by the large main trade area defined for East Village which impacts on amenity and increases congestion during peak periods.
- Walkability is a key objective for this part of Sydney and as such, full-line supermarkets should be provided within 500 metres of a significant share of the population to retain spending within the immediate area, without requiring residents to travel further than necessary to meet their supermarket needs. This is particularly true considering the high population density of this part of Sydney.

A supermarket capacity analysis taking into account the existing and potential population growth and future provision of supermarket floorspace is outlined in **Table 11**. The analysis presents a generalised review of supermarket capacity based on existing supermarket benchmarks (rather than on local estimates which is undertaken in the following section 8.3) and considers the following:

- The overall Food, Liquor and Grocery (FLG) market in the MTA is estimated at \$208.9 million in 2021, and is projected to increase to \$348.2 million by 2036.
- 65% of food and grocery expenditure is directed to supermarkets (as compared to other fresh food providers and specialty foods such as deli, butcher, baker etc.).
- In a more balanced retail environment 75% of supermarket expenditure could be retained within the MTA, or phrased another way, 75% of all supermarket expenditure by residents within the MTA should be directed to supermarkets within the MTA in a balanced retail market (compared to the current c55% as outlined by Quantum).
- 20% of supermarket sales are likely to be derived from beyond the defined MTA to reflect additional business derived from workers and visitors etc.
- 6% of supermarket sales are derived from non-food general merchandise sales (or non-food expenditure).
- A typical full-line supermarket achieves sales in the order of \$10,000 per m<sup>2</sup> and above.
- Existing supermarkets within the MTA are estimated to total some 9,020m<sup>2</sup> (as outlined in **Section 6**), with this provision projected to increase to 10,950m<sup>2</sup> by 2036 taking into account existing known supermarket developments.

The supermarket capacity analysis assumes that the development of supermarkets in the area occurs in line with the timing highlighted in the previous Table 7.

Based on existing supermarket averages and benchmarks, the analysis in **Table 11** suggests a current underprovision of supermarket floorspace in the order of -4,522m<sup>2</sup>. This represents the equivalent of more than one (1) major full-line supermarket (assuming 3,200m<sup>2</sup> per major full-line supermarket).



Even allowing for the development of all proposed future supermarkets in the MTA the undersupply of supermarket floorspace is projected to increase to -11,621m<sup>2</sup> by 2036.

This suggests that at least three (3) additional major full-line supermarkets would be required by 2036 in order to adequately service the existing and planned future growth within the MTA (including at least two new major full-line stores to service anticipated demand based on population growth between 2021 – 2036 alone). This is over and above the future smaller supermarkets already proposed in Waterloo.

Typically, a major full-line supermarket is supportable for every 10,000 persons in urban Sydney. As such, the MTA population would support at least three (3) full-line supermarkets currently, increasing to over five (5) full-line stores by 2036. This represents an existing shortfall of up to two (2) full-line supermarkets as at today, with this number increasing to an under supply of up to four (4) full-line supermarkets by 2036.

The substantial under-provision of full-line supermarket floorspace in the MTA highlights the need and requirement for additional facilities in order to effectively serve the existing and growing population. There would be strong demand for the proposed Woolworths Waterloo development, as well as potential for a range of future full-line supermarkets in the longer term, including any future store at Waterloo Estate.

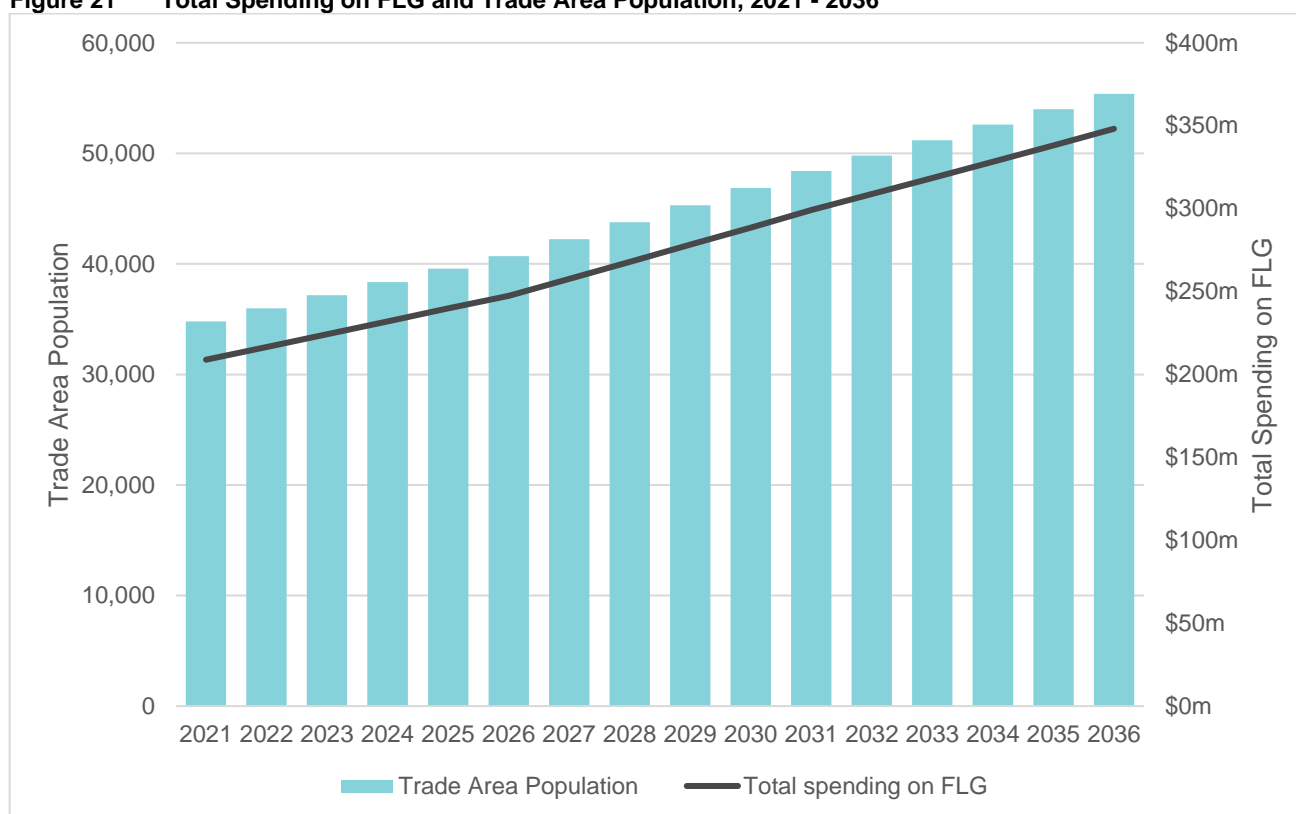
In April 2020 this office completed a Retail Needs Assessment for the broader Green Square precinct which also outlined the substantial undersupply of supermarket floorspace within this broader part of Sydney. It was identified in the 2020 Retail Needs Assessment that more than eight (8) additional full-line supermarkets would be required in the overall Green Square precinct in order to adequately service the existing and planned population.

This is over and above proposed supermarkets planned at Emerald City and Park Sydney as well as numerous metro supermarkets and redeveloped stores. It is clear that the strong population growth that has occurred in this part of Sydney, combined with planning restrictions on larger retail tenants such as supermarkets, has resulted in an inefficient market outcome that is now in need of review in order to ensure South Sydney remains a desirable and appealing destination in the future.

The undersupply of supermarket floorspace would result in impacts to the community including increased local traffic congestion, lack of convenience as well as negative impacts on choice and price competition - as residents travel further distances outside of their local communities.

While residents will account for the majority of demand, existing and future workers, students and visitors to the precinct will further add to demand for retail facilities, including supermarkets, with this provision to grow overtime as the area becomes more established.

The analysis highlights the substantial need for additional supermarket floorspace in the region, particularly full-line stores. Based on the above it can also be demonstrated that a substantial under-provision of supermarket floorspace exists within the MTA, and that this undersupply will increase further over time.

**Figure 21 Total Spending on FLG and Trade Area Population, 2021 - 2036**

Source: Ethos Urban; MarketInfo

**Table 11 Forecast Supermarket Provision, 2021-2036**

Category	2021	2026	2031	2036
<b>MTA population</b>	<b>34,800</b>	<b>40,700</b>	<b>48,400</b>	<b>55,400</b>
MTA FLG spending (\$m)	\$208.9	\$247.3	\$299.1	\$348.2
MTA FLG spending directed to supermarkets (@65%) (\$m)	\$135.7	\$160.8	\$194.4	\$226.3
MTA FLG spending retained by MTA supermarkets (@75%) (\$m)	\$101.8	\$120.6	\$145.8	\$169.7
+ Supermarket FLG sales from beyond MTA (@20%) (\$m)	\$25.5	\$30.1	\$36.5	\$42.4
+ Supermarket sales from non-FLG merchandise (@6%) (\$m)	\$8.1	\$9.6	\$11.6	\$13.5
<b>MTA supermarket sales (\$m)</b>	<b>\$135.4</b>	<b>\$160.3</b>	<b>\$193.9</b>	<b>\$225.7</b>
Supermarket floorspace demand (based on average sales of \$10,000/m <sup>2</sup> ) (m <sup>2</sup> )	13,542m <sup>2</sup>	16,034m <sup>2</sup>	19,388m <sup>2</sup>	22,571m <sup>2</sup>
Supermarket supply (existing and proposed) (m <sup>2</sup> )	9,020m <sup>2</sup>	10,950m <sup>2</sup>	10,950m <sup>2</sup>	10,950m <sup>2</sup>
<b>Supermarket undersupply (m<sup>2</sup>)</b>	<b>-4,522m<sup>2</sup></b>	<b>-5,084m<sup>2</sup></b>	<b>-8,438m<sup>2</sup></b>	<b>-11,621m<sup>2</sup></b>

Source: Ethos Urban; MarketInfo

The potential for physical supermarket floorspace is often considered alongside contemporary retail trends such as online retail and the impact on the physical store requirement.

As outlined previously, a review of combined Coles and Woolworths supermarket sales indicates that while online retail sales have increased by \$3.0 billion over the period from FY19 to FY21, physical store sales increased by \$4.7 billion over the same period (+56% more than online sales). This highlights that while online retail will continue to grow over time, the importance of physical stores will remain. Based on the supermarket capacity analysis for the

MTA, this would suggest a similar pattern where physical stores will remain important even adopting a conservative approach including:

- Physical supermarket sales would still grow faster than online supermarket sales in the MTA over the period to 2036 (at +\$42 million compared to +\$26 million), even assuming the online share of supermarket sales grew from 7.9% of total sales currently to c20% of total sales by 2036.
- The analysis assumes a 65% proportion of FLG sales is directed to supermarkets, this allows for 35% to be directed to non-supermarket facilities, in part attributed to the location and choice of facilities within each market. This proportion of sales to supermarkets could also be increased as online supermarket services are improved.
- Physical stores remain an important component in completing and servicing online retail orders and requirements, including providing a range of online sales services such as direct to boot, delivery and parcel locker collection.

Online supermarket shopping is one component of a holistic retail network required to serve contemporary customers, with the role of physical full-line supermarkets critical to the success of a complete and efficient retail network.

Across South Sydney it is understood that a number of retail vacancies currently exist. These are primarily smaller tenancies of 100-200m<sup>2</sup> or less, with these tenancies dispersed across the local area.

When considering the potential for use of vacant floorspace by supermarkets it is important to note that supermarkets have clear physical requirements that impact on the success of each store, including the provision of large, contiguous areas that benefit from excellent accessibility and exposure. The smaller size, dispersed nature and ownership of existing vacant tenancies in South Sydney would make any potential amalgamation of sites for use by supermarkets unviable.

It is common to have a natural level of vacancy in centres or precincts, as tenants enter and exit the market as part of the natural tenant 'churn' in the retail sector. More recently, a short-term increase in the level of retail vacancy is associated within the COVID-19 pandemic and forced lockdowns which have had an impact on retailers especially across the CBD and inner-city areas. As the economy transitions into recovery and out of lockdowns it is anticipated that activity (and retail sector trade) will improve.

In the case of South Sydney, the substantial population growth will also support additional demand for retail facilities which would fill any existing short term vacancies. As outlined previously, over the next 15 years the MTA would support demand for an additional +53,800m<sup>2</sup> of retail floorspace based on new residents alone. Across the broader Green Square region, this figure is +168,400m<sup>2</sup> (based on result from the previous April 2020 analysis).

### 8.3 Supermarket Sales Forecast

An assessment of the potential sales likely to be achieved by proposed Woolworths supermarket at Waterloo is outlined in **Table 12**.

*Sales are projected to 2026, reflecting the assumed first year of trading for the proposed Woolworths Waterloo supermarket.*

The analysis includes the following components:

- The total food, liquor and grocery spending market for the MTA is estimated at \$208.9 million for the year to June 2021. The food, liquor and grocery spending market for the MTA population is projected to grow to \$232.0 million by 2023/24 and further to \$247.3 million by 2025/26 (constant 2021 dollars).
- Within the MTA the proportion of spending to supermarkets is currently estimated at 65% and is projected to increase to 67.3% allowing for development at the Subject Site including a new full-line Woolworths supermarket, as well as new and expanding stores at Surry Hills, Emerald City and local limited-range supermarkets (as described in Section 6).

The proportion of spend to supermarkets in the MTA is low compared to the typical Australian average of around 75% reflecting the prevalence of specialty food retailers in inner city areas including around Waterloo.

- It is estimated that 75% of supermarket spending is retained by supermarkets within the MTA currently. This is compared to MTA resident spending that is directed to supermarkets beyond the MTA. In this instance, this may include expenditure directed to supermarkets within the GSTC.

This level of retained expenditure will fluctuate over time, reflecting the likely changes in MTA resident spending behaviours following the addition of proposed supermarkets both within and beyond the MTA, including at the Subject Site.

- An estimated 36% of sales is likely to be generated from beyond the MTA, primarily expenditure from residents, workers and students. This proportion of 'beyond' sales is estimated at 36% currently and primarily reflects the large amount of sales directed to Coles at East Village from across a relatively broad geographic area (see also Section 6).
- Finally, consideration is given to non-food transactions that also comprise a proportion of supermarket sales. These items include general merchandise and other non-food products and typically account for 6% of total store sales.

Taking the above into account, the available spend to MTA supermarkets is estimated to increase from \$169.0 million in 2021, to \$202.3 million by 2026. These estimates are present in constant dollars and reflect real growth.

Reflecting the provision of existing and proposed supermarkets within the MTA in the future, it is estimated that the proposed Woolworths Waterloo would achieve a market share of 24% of MTA supermarket expenditure in the first year of trading in 2025/26. Taking into account a proportion of sales from beyond and non-food items, total sales for the proposed supermarket (inc. liquor) is estimated at \$38.4 million in 2025/26.

Projected supermarket sales of \$38.4 million reflect an average trading level of \$12,000 per m<sup>2</sup> (based on the proposed store size of around 3,200m<sup>2</sup>).

The addition of a contemporary full-line supermarket at the Subject Site would result in the retention of supermarket expenditure that is currently escaping the MTA.

**Table 12 Supermarket Sales Potential, 2021-2026**

	2021	2024	2026
<b>Main Trade Area</b>			
MTA Resident spend on FLG (\$m)	208.9	232.0	247.3
MTA FLG spend available to SMKT (@65% in 2021, inc. to 67.3% by 2026) (\$m)	135.7	152.8	166.5
Spending retained by MTA SMKT (@75% in 2021, inc. to 77.2% by 2026) (\$m)	101.8	108.6	128.5
Plus sales from beyond MTA (@36% in 2021, dcr. To 32% by 2026) (\$m)	57.1	58.3	61.6
Total FLG spend available to MTA SMKTs (\$m)	158.9	166.9	190.1
Plus GM sales (@6%) (\$m)	10.1	10.7	121
<b>Total Available Spend to MTA Supermarkets (\$m)</b>	<b>169.0</b>	<b>177.5</b>	<b>202.3</b>
<b>Subject Site</b>			
Market Share of spending retained by MTA SMKTs (%)	0%	0%	24%
Spending retained by proposed SMKT at subject site (\$m)	0.0	0.0	30.7
Plus sales from beyond MTA (@15%) (\$m)	0.0	0.0	5.4
Total FLG sales available to SMKT at subject site (\$m)	0.0	0.0	36.1
Plus GM sales (@6%) (\$m)	0.0	0.0	2.3
<b>Total Available Spend to SMKT at subject site (\$m)</b>	<b>0.0</b>	<b>0.0</b>	<b>38.4</b>

Source: Ethos Urban; MarketInfo

\*Constant dollars. Figures as at June

## 8.4 Total Centre Sales Assessment

In addition to a full-line supermarket, it is understood that the proposed Woolworths Waterloo development will also include a provision of supporting specialty floorspace estimated at around 1,260m<sup>2</sup>. As a result, retail floorspace at the proposed development based on the current plans is projected to be in the order of 4,460m<sup>2</sup>.

Based on projected trading levels for the supermarket as the major anchor tenant, **Table 13** outlines projected sales for the specialty tenants of \$10.1 million in 2026, operating as part of an integrated mixed use development.

Total retail sales are therefore estimated at \$48.5 million across the 4,460m<sup>2</sup>, resulting in a trading level of \$10,870 per m<sup>2</sup> at the proposed development.

**Table 13 Projected sales - Woolworths Waterloo Development 2026 (\$2021)**

Component	GFA	Sales (\$m)	Sales Productivity (\$/m <sup>2</sup> )
Supermarket	3,200	38.4	12,000
Speciality stores	1,260	10.1	8,000
<b>Total</b>	<b>4,460</b>	<b>48.5</b>	<b>10,870</b>

Source: Woolworths, Ethos Urban; MarketInfo

Note: Figures Rounded

## Part 3: Economic Impact Assessment

The final component of the report presents an assessment of the economic impacts that are likely to result from the proposed Woolworths Waterloo development. A range of factors are considered including flow-on benefits to the local community and the precinct overall.

### 9.0 Retail Impact Assessment

This section examines the likely trading impact of the proposed Woolworths Waterloo, and in particular its impact on other centres in the area.

Retail trading impacts are considered at the centre-wide level, with the emphasis on identifying if the level of impact may lead to a diminution in the role of competing centres or the loss of critical anchor tenants. Direct competitive impacts (i.e. on an individual basis for specific businesses) are not a legitimate consideration on which new retail developments are assessed.

#### Key findings

- The proposed Woolworths Waterloo addresses a substantial undersupply of full-line supermarket floorspace within the local area. Furthermore, the project will assist in ensuring the retail needs of the growing population within Waterloo and the local area are met in a convenient and accessible location. As such, the proposed development would help to alleviate pressure on the existing supermarket network, and respond to market demand and customer need.
- A review of general combined impacts indicates that with the proposed development, projected sales for other retailers would still be 14.1% higher (or \$56.4 million) than current 2021 levels. This highlights the large amount of growth and retail demand occurring within this part of Sydney.
- Without the Woolworths Waterloo project, projected levels of escaped retail expenditure by MTA residents is projected to increase by a further \$22.1 million. This will limit resident amenity, and add to congestion at surrounding facilities as well as on the local road and transport networks.
- A centre-specific impact assessment indicates that the largest impact will fall on East Village, and primarily the Coles supermarket which is one of the best performing supermarkets in the country. The East Village centre is well positioned to absorb any short-term sales impact, particularly given the expectation of subsequent population and spending growth by MTA residents. As previously noted, East Village has sales of over \$160 million and is ranked as the Number 1 shopping centre nationally on a sales rate per square metre basis based on the SCN Little Guns publication, and has held this position for five (5) years.
- The projected trading impact on Green Square Town Centre (GSTC) is estimated at -6% of total sales, or an estimated -\$5 million in 2025/26. A large proportion of this impact would fall on the existing Woolworths Metro supermarket located at the centre. The impact from the proposed Woolworths Waterloo development on the GSTC will, however, be limited and occur in the short term only, reflecting the continued growth and expansion of retail facilities within the GSTC over time. This includes projected future stages of development planned at GSTC over the period between 2021 and 2026. As a result, even with the proposed Woolworths Waterloo project, total retail sales at GSTC are projected to increase substantially from around \$35 million in 2021 to over \$83 million by 2026.
- The result from the individual centre and supermarket sales impact assessment indicates that all potential impacts as a result of the proposed Woolworths Waterloo development are well within the normal competitive range of less than 10%. The impact across the local retail network as a result of the proposed development is estimated at -4.0%.

- In addition to the above, the projected annual retail sales growth rate across the MTA is estimated at +4.1% per annum. As such, any potential impact is likely to be in the short term only, with all impacts projected to be absorbed within 1-2 years, reflecting the strong growth in the market.
- A review of projected impacts show that even with the assumed Woolworths Waterloo development, all existing centres in the local area will achieve sales in 2026 that are higher than existing 2021 trading levels. This reinforces the short-term trading impacts only, with all facilities to benefit from continued growth in retail expenditure.
- The proposed development will not impact on the ongoing viability or continued operation of any existing or proposed retail centre in the area.
- Overall, the Waterloo community stands to benefit from the proposed development that will deliver improved amenity and a new retail offer within the high-density precinct. The project will support a more holistic retail network aligned to government objectives for walkability and a 'best in class' retail environment. The project would support continued growth and a successful, evolving precinct and community in the future.

## 9.1 Approach

An assessment has been undertaken of the economic impacts associated with the construction and operational phases of the proposed Woolworths Waterloo development. The assessment has been undertaken through an analysis of the local market demand, competitive environment and market trends, as discussed in the following sub-sections.

## 9.2 Potential Trading Impacts

Reflecting the projected market growth and demand for the uses at the proposed development, any negative trading impacts on businesses in the surrounding area is expected to be minimal and within the normal bounds of a competitive market. This includes for the Green Square Town Centre, forming part of the designated strategic centre in South Sydney, which will benefit from future development activity as well as market growth.

In broad terms, any impacts arising from the proposed development will be due to the potential for commercial tenants, future residents and the retail spending of consumers to be diverted from alternative destinations and locations.

When assessing the potential competitive impacts of a development proposal, it is important to appreciate that the actual impacts will depend to a large degree on the circumstances of individual projects and businesses, and their response to the introduction of competition. For example, in the retail industry common responses of competing centres and retailers to new competition include:

- Refurbishment and other improvements to facilities and presentation
- Re-investment and expansion of centres and stores
- Re-positioning a store/centre through changes in tenant/product mix and type (e.g. focusing on a key target market)
- Marketing and promotions activity, including enhanced price competition and use of customer loyalty programs to reach consumers.

The same initiatives can apply to existing or future owners and developers in other sectors including commercial and residential.

Reflecting the potential actions that can be implemented in response to market competition, impacts presented in this report should be treated as indicative and used as a broad indication of potential impact.

The proposed Woolworths Waterloo development will help to address a substantial undersupply of full-line supermarket floorspace within the local area and furthermore, will assist in satisfying the retail needs of the growing population within Waterloo and the local area. As such, the proposed development would help to alleviate pressure

on the existing supermarket network, supporting market demand and customer need, rather than the development relying purely on the redirection of sales from other vulnerable retailers and businesses.

As such, the trading impact of the proposed development on any existing facility within the surrounding area, including on the Green Square Town Centre is expected to be minimal.

### General Impacts

While plans are subject to change, the proposed development is planned to deliver a full-line supermarket of 3,200m<sup>2</sup>. Noting that current estimates of floorspace represent GFA, this proposal will be only the second major full-line supermarket within the MTA, and will serve a critical role and function for the substantial MTA population of 34,800 persons that is projected to increase to 55,400 persons by 2036.

While the other existing supermarkets currently within the MTA serve as effective top-up, and immediate need-based supermarkets for the local resident population, they do not provide the broadest range of products, choice and customer amenity offered at a major full-line supermarket.

It is understood that existing supermarkets in the region trade strongly, with sales above a typical average trading level for full-line supermarkets of around \$9,000-\$10,000 per m<sup>2</sup>.

These trading levels highlight both the successful performance of existing operators, and also reflect the underprovision of full-line supermarket floorspace within this part of Sydney. This has impacts for the local community associated with the stores themselves such as overcrowding, pressure on stock levels and the customer experience, through to impacts associated with increased travel times and distance required to reach these stores.

A review of general impacts across MTA retailers can be derived taking into account the following:

- 1) Total retail expenditure in 2021 and 2026 (outlined in **Section 5**)
- 2) Estimated sales for MTA retailers in 2021 and 2026
- 3) Projected sales for the Woolworths Waterloo development in 2026 (outlined in **Section 8**)

Once these have been estimated, a review of the general impacts can be determined by comparing the figures for other MTA retailers both with and without the proposed Woolworths Waterloo development over this timeframe. This review of general impacts is presented in **Table 14**.

The review indicates the following:

- Total MTA retail sales are estimated at around \$400 million in 2021. This reflects total retail sales across the centres described in **Section 6**, plus an allowance for additional retail sales, such as bulky goods sales, reflecting the provision of outlet stores in this part of Sydney.
- Taking into account the total retail expenditure estimate of \$581.3 million in 2021, this would suggest that some \$180.2 million of MTA resident retail expenditure (or 31% of resident spending) is currently directed to facilities outside of the defined MTA. This would include facilities such as the Green Square Town Centre as well as larger centres in the area such as Sydney CBD and the like.
- Projected sales for the proposed Woolworths Waterloo development is estimated at \$48.5 million in 2026 (constant dollars) and as such, based on anticipated growth between 2021 and 2026, this would indicate that retail sales remaining for other MTA retailers in 2026 would be in the order of \$457.5 million. This is some \$56.4 million higher than the comparable 2021 figure.
- Assuming that the proposed Woolworths Waterloo development did not proceed, estimated sales for other MTA retailers would be \$483.9 million.

The result suggests that if the proposed Woolworths Waterloo project proceeds in 2026, then MTA retailers would be impacted by around -5.5%, with sales \$26.4 million lower in 2026 than would otherwise have been achieved without the project.

However, even with the proposed development, projected sales for other retailers would still be 14.1% higher (or \$56.4 million) than current 2021 levels. This highlights the large amount of growth and retail demand within this part of Sydney. Without the Woolworths Waterloo project, projected levels of escaped retail expenditure by MTA



residents to facilities beyond the MTA is projected to increase by a further \$22.1 million, limiting existing and future resident amenity, and adding to congestion at surrounding facilities as well as on the local road and transport network.

**Table 14 General Trading Impacts, 2021-2026 (\$2021)**

	Unit	Existing 2021	Projected 2026	Change	
				\$M	%
<b>Including Proposed Development</b>					
<b>Estimated Retail Spending Market</b>					
MTA Total Residential Expenditure	\$M	581.3	711.7	130.3	22.4%
Escaped Resident Expenditure	\$M	<u>180.2</u>	<u>205.7</u>	<u>25.5</u>	<u>14.1%</u>
Est. Sales to MTA Retailers	\$M	401.1	506.0	104.9	26.1%
<b>Calculation of MTA Retail Sales</b>					
Woolworths Waterloo Project	\$M	0.0	48.5	48.5	n.a.
Other MTA Retailers	\$M	<u>401.1</u>	<u>457.5</u>	<u>56.4</u>	<u>14.1%</u>
Est. Sales to MTA Retailers	\$M	401.1	506.0	104.9	26.1%
<b>Excluding Proposed Development</b>					
<b>Estimated Retail Spending Market</b>					
MTA Total Residential Expenditure	\$M	581.3	711.7	130.3	22.4%
Escaped Resident Expenditure	\$M	<u>180.2</u>	<u>227.7</u>	<u>47.5</u>	<u>26.4%</u>
Est. Sales to MTA Retailers	\$M	401.1	483.9	82.8	20.6%
<b>Calculation of MTA Retail Sales</b>					
Woolworths Waterloo Project	\$M	0.0	0.0	0.0	n.a.
Other MTA Retailers	\$M	<u>401.1</u>	<u>483.9</u>	<u>82.8</u>	<u>20.6%</u>
Est. Sales to MTA Retailers	\$M	401.1	483.9	82.8	20.6%
<b>Est. Sales Impact of Project on Other MTA Retailers (2026)</b>					
• Projected Sales After Waterloo Development	%				<b>14.1%</b>
Compared with Current Sales					
• Projected Sales After Waterloo Development	%				<b>-5.5%</b>
Compared with Projected Sales Pre-Development (2026)					

Source: Ethos Urban; MarketInfo

### Centre Specific Impacts

In addition to the general impacts outlined above, a more detailed review of impacts on individual centres has been prepared. As noted above, any impact assessment should be considered a general indication of likely outcomes only.

Detailed calculations of current (2021) turnover performance for these centres are shown in **Table 15**, and are based on published data, where available. Where data is not available estimates based on typical retail performance and our own expectations have been made.

Projected sales impacts that are likely to result from the proposed Woolworths Waterloo development are summarised as follows:

1. Estimate current sales for existing centres in 2021 (financial year)
2. Project sales for both the existing and proposed centres in 2026 (the assumed first full year of trading for the Woolworths Waterloo development). Projected sales allow for market growth as well as expansions and new proposed developments – including projects such as Emerald City, Waterloo Metro OSD, expanded Coles at Surry Hills and future stages of Green Square Town Centre.
3. Highlight the change in projected sales at each centre in 2026 both with and without the proposed Woolworths Waterloo development.
4. Outline the impact on sales in 2026 in both dollar terms and as a percentage of total sales.

*All sales are presented in constant 2021 dollars.*

Key points to note regarding the analysis presented in **Table 15** includes:

- The proposed Woolworths Waterloo development is projected to record sales of \$48.5 million in 2025/26. Of this total:
  - \$22.1 million is projected to come as a result from a reduction in expenditure to facilities beyond the MTA (i.e. expenditure retained within the MTA as a result of the proposed development);
  - \$25.3 million is projected as a result of redirected spending from competitive centres within the MTA;
  - \$1.2 million is likely to result from impacts on a range of smaller retail facilities within and beyond the MTA including those not currently represented in the analysis (including bulky goods and other strip retail facilities).
- The largest impact in dollar terms is projected on East Village (Secondary South sector), with impacts projected to be in the order of \$14 million or -8.0% of total centre sales. The majority of this impact is likely to fall on the full-line Coles supermarket, which is the only existing major full-line supermarket within the MTA, and is currently achieving a very strong trading levels understood to be around \$100 million (at a level that is 3 times higher than the typical average for a supermarket in Australia). East Village overall is a very successful centre recording sales of around \$163 million, at a productive rate of \$14,748 per m<sup>2</sup> which ranks the centre at number one nationally on a trading level per square metre basis (SCN Little Guns 2020). The centre has been the number one ranked centre on this metric for the last five (5) years and highlights the lack of competition within the growing catchment.

As such, the centre is trading extremely strongly and is well positioned to absorb any short-term impact. Following the development of the proposed Woolworths Waterloo project, East Village is projected to record strong sales of around \$165 million in 2026, a level that is above the existing 2021 trading level. As such, the centre will continue to benefit from growth in the region and will remain a key retail destination.

- The proposed Woolworths Metro store planned along Archibald Avenue within the Lachlan Street Precinct is also likely to be impacted as a result of the proposed development. However, it is understood that the Archibald Avenue store will be trading on a temporary basis, with the store likely to cease operation on completion of the proposed Woolworths Waterloo development. Assuming the Archibald Avenue store continues to operate, the projected impact would be in the order of \$3 million (or 40% of total sales). As this store may be temporary in nature and will also be operated by Woolworths, any impact on this store would require an operational decision by Woolworths rather than represent any undermining of a competing centre.
- Other supermarket centres within the MTA are projected to be impacted as a result of the proposed development include Danks Street Plaza (Meriton Retail Precinct) (-8%), Green Square Town Centre and the proposed Emerald City (-6%) as well as Woolworths at Redfern (-5%). Each of these centres are well positioned to absorb any short-term impact with existing and proposed supermarkets understood to trade (or projected to trade) strongly with sales greater than \$10,000 per m<sup>2</sup>.

**Table 15 Woolworths Waterloo Project Impacts, 2021 – 2026**

Location	Estimated Sales	Projected Sales 2026 (\$m)		Projected Impact 2026	
	2021 (\$m)	Pre Dev't	Post Dev't	\$m	%
<i>Woolworths Waterloo (proposed)</i>	<i>n.a.</i>	<i>n.a.</i>	48.5	<i>n.a.</i>	<i>n.a.</i>
<b>Within Trade Area</b>					
<b>Primary</b>					
<u>Waterloo</u>	<u>104</u>	<u>125</u>	<u>116</u>	<u>-9</u>	<u>-7%</u>
• Danks Street Plaza	50	55	50	-4	-8%
• Danks & Bourke	26	29	28	-1	-4%
• Archibald Avenue (proposed)	n.a.	8	5	-3	-40%
• Other	29	33	33	0	-1%
<b>Secondary South</b>					
<u>Zetland</u>	<u>184</u>	<u>203</u>	<u>189</u>	<u>-15</u>	<u>-7%</u>
• East Village	163	180	165	-14	-8%
• Other	20	24	23	0	-1%
<b>Secondary West</b>					
<u>Waterloo</u>	<u>27</u>	<u>67</u>	<u>64</u>	<u>-2</u>	<u>-3%</u>
• Botany Road	14	15	15	0	-3%
• Waterloo Metro (proposed)	n.a.	36	35	-2	-5%
• Other	13	15	15	0	0%
<b>Beyond Trade Area</b>					
Green Square TC	35	89	83	-5	-6%
Emerald City (proposed)	n.a.	76	71	-5	-6%
<u>Alexandria</u>	<u>130</u>	<u>139</u>	<u>137</u>	<u>-3</u>	<u>-2%</u>
• 222 Wynham Street	12	12	12	0	-4%
• Fountain Street	60	62	60	-2	-4%
• Other	59	64	64	0	0%
Surry Hills Shopping Village (proposed)	n.a.	100	96	-4	-4%
<u>Redfern</u>	<u>121</u>	<u>133</u>	<u>131</u>	<u>-2</u>	<u>-1%</u>
• Chalmers Street	28	30	29	-2	-5%
• Redfern Village	5	5	5	0	-1%
• Other	88	97	97	0	0%
<u>Rosebery</u>	<u>39</u>	<u>45</u>	<u>44</u>	<u>0</u>	<u>-1%</u>
• Confectioners Way	13	15	14	0	-3%
• Botany Road	8	9	9	0	-1%
• Other	18	21	21	0	0%
South Eveleigh	68	77	76	-1	-1%
Park Sydney Village	22	88	87	-1	-1%

Source: PCA, SCN, Ethos Urban

\*Constant dollars and including GST.

\*\*Figures rounded

Proposed centres and expansions assumed to be trading for a full year as at 2026.

- The projected impact on Green Square Town Centre (GSTC) is estimated at -6% of total sales, or an estimated \$5 million in 2025/26. A large proportion of this impact would fall on the existing Woolworths Metro supermarket located at the centre. The impact from the proposed Woolworths Waterloo development on the GSTC will be limited and occur in the short term only, reflecting the continued growth and expansion of retail facilities within the GSTC over time. This includes projected future stages of development planned at GSTC over the period between 2021 and 2026. As a result, even with the proposed Woolworths Waterloo project, total retail sales at GSTC are projected to increase substantially from around \$35 million in 2021 to over \$83 million by 2026.
- All remaining supermarkets and retail precincts within the area are estimated to record negligible sales impacts of less than 5%.
- The result from the individual centre and supermarket sales impact assessment indicates that all potential impacts as a result of the proposed Woolworths Waterloo development are likely to be well within the normal competitive range at less than 10%. The impact across the total local retail network (centres outlined in **Table 15**) as a result of the proposed development is estimated at 4.0%.
- In addition to the above, the projected annual retail sales growth rate across the MTA is estimated at 4.1% per annum, and as such, any potential impact is likely to be in the short term only, with all impacts projected to be absorbed within 1-2 years, reflecting the strong growth in the market.
- A review of projected impacts show that even with the assumed Woolworths Waterloo development, all existing centres in the local area will achieve sales in 2026 that are higher than existing 2021 trading levels. This reinforces the short-term trading impacts only, with all facilities to benefit from continued growth in retail expenditure.

As such, the proposed Woolworths Waterloo development would not impact on the viability or continued operation of any existing or proposed facility with the local area. Rather, all existing and proposed developments would benefit from the substantial growth in the market over the medium to longer term.

A breakdown of the projected source of future sales is outlined in **Table 16**. An analysis of the anticipated distribution of impacts from the proposed development suggest the following:

- A large proportion of projected sales, at an estimated \$22.1 million, would be derived from retained expenditure that is currently being directed to facilities beyond the MTA. This includes a large share of retained supermarket expenditure that will be able to remain locally with the proposed development. Stores in the broader area are strong trading stores and are well placed to absorb any short term impacts from a new Woolworths at Waterloo.
- Impacts on supermarket centres within the defined MTA (including East Village and Danks Street, ALDI, Woolworths Metro stores and IGA) would total some \$25.3 million, representing less than an 8.0% impact on combined existing supermarket sales for these centres. The majority of the sales impact would fall on Coles at East Village, which is trading at levels that is 3-4 times higher than the typical supermarket average at \$100 million. Each of these centres and stores are well placed to absorb any short term impact, and will benefit from future growth in retail expenditure. As outlined previously, projected growth in retail expenditure is estimated at 4.1% per annum, and as such any potential impact would be absorbed within around two (2) years.
- The likely impact on surrounding facilities, including bulky goods and other retailers in and beyond the MTA is estimated at around \$1.2 million.

As such, the proposed development will not result in the detrimental impact on the viability or ongoing operation of any existing centre or retailer in the precinct. Rather, the development would result in a range of benefits to the community.

A review of potential impacts suggest that the proposed development would compete more directly with larger full-line supermarkets, rather than smaller stores within area currently. Each of the smaller surrounding stores will continue to serve the immediate and specialised convenience needs of residents and will benefit from continued market growth.

A new full-line supermarket would significantly enhance the accessibility of local residents to important day-to-day grocery items and reduce the need for travel beyond their immediate area.

**Table 16 Woolworths Waterloo – Distribution of Impacts**

	(\$M)
Waterloo Woolworths Net Sales Increase	48.5
<b>Components of Projected Sales Increase</b>	
Escape Spending Retained	-22.1
<b>Impacts on Competitive Centres within MTA</b>	
Supermarket Centres	-25.3
Other Retail Floorspace <sup>1</sup>	-1.2

<sup>1</sup>Includes bulky goods floorspace and other retail/strip facilities.

\*Constant dollars and including GST

Source: Ethos Urban

Overall, the Waterloo community stands to benefit from the proposed development that will deliver improved amenity and a new retail offer within the high-density precinct. The project will support a more holistic retail network aligned to government objectives for walkability and a 'best in class' retail environment in close proximity to residents' homes. The project would support continued growth and a successful, evolving precinct and community in the future.

The result of the retail trading impact analysis indicate that the introduction of Woolworths Waterloo will not generate any significant disruption in the operation of the retail hierarchy serving the region.

This leads to the reasonable expectation that the proposed Woolworths Waterloo development will not result in the closure of major traders, or impact negatively on the range and quality of the retail provision at surrounding centres.

That includes the GSTC, which will experience only a minor, short-term sales impact. In fact, any impact will be negligible compared to the continued expansion of this strategic centre over time, with projected sales to more than double over the period to 2026 in response to continued expansion and market demand.

Development of the proposed Woolworths Waterloo project will represent a small addition compared to the strong need for additional retail floorspace, including further full-line supermarkets, to serve this rapidly developing part of Sydney. As such, the development of existing and future retail centres and facilities, including those within the GSTC, will remain viable.

## 10.0 Economic Benefits

This section presents an assessment of the economic benefits of the proposed Woolworths Waterloo development.

### Key findings

- The proposed Woolworths Waterloo development will activate an underutilised site within a growing precinct and help to support the continued growth and development of the wider Waterloo precinct.
- An estimated 764 FTE jobs (direct and indirect) are likely to be generated during the construction stage of the project, and a further 273 FTE jobs on an ongoing basis once the project is complete and fully occupied.
- These additional ongoing jobs would stimulate additional economic activity, estimated at \$29.1 million each year (value-added).
- The mixed use development could also accommodate approximately 240 new residents who would generate around \$4.0 million in retail expenditure each year, to the benefit of retailers in the local and regional community.
- The proposed development would not undermine the continued operation of existing retail centres in the area (i.e. impacts are well within the bounds of normal competition), particularly given the rapid population growth occurring before and after the proposed development.
- Other retail centres will continue to trade at viable levels, benefiting from sales growth over time. The subject development will not impact on the hierarchy of centres, or the role of other centres within the immediate area.
- The proposed Woolworths Waterloo development will result in an overall community benefit, supporting growth within this part of Sydney and providing a contemporary full-line supermarket. This will cater to the large surrounding community, including providing additional choice, range and price competition for this significant and growing population. For a growing community such as that in Waterloo, this is important as residents require convenient access to a supermarket with a full range of products, a modern offer and capabilities including online integration, pick-up and delivery services.
- Based on the high population density across Waterloo and South Sydney, an opportunity exists to support a well-balanced retail eco-system, including a new full-line supermarket that will help to serve the immediate growing population within Waterloo. The proposed development would represent a logical extension of the network, and provide a new full-line supermarket that complements the GSTC and ensures a holistic retail network that will more effectively serve the growing local community.
- The proposed development will result in a range of other economic benefits that align with the strategic vision for the South Sydney and the Waterloo community including improving convenience, supporting growth and aligning with objectives such as walkability by delivering an integrated, contemporary live/work/play environment. The project would introduce a 'best in class' full-line supermarket within the MTA that would align strongly with the needs of the existing and growing population and support the future vision for South Sydney - with a focus on innovative design, technology and sustainability initiatives.

### 10.1 Employment Generation

The proposed development will result in additional benefits to the local community through employment generation. Jobs supported by the development will accrue through direct and indirect employment generated during both the construction phase, and ongoing employment as part of the operational phase.

#### 10.1.1 Construction Employment

In order to investigate the likely overall economic benefits, consideration has been given to the employment benefits likely to result during construction should the project progress through the approvals process.

Direct employment in the *construction industry* is expressed as FTE job years. A 'job year' is a full-time job for one year.

Indirect or flow on employment will also be supported in other industries, for example, suppliers of materials and financial and legal services. Employment estimates in the wider economy are derived from ABS national accounts input-output analysis, specifically, employment multipliers.

Direct employment in the construction industry depends on the nature of the building, in particular, the capital intensity of the project. It is estimated 1.96 FTE direct construction industry job years per \$1 million of expenditure (or 1.0 FTE job year per \$510,000) will be generated by the construction activity, based on internal research and the type of work expected to be undertaken in the construction phase of the development.

In addition, these direct construction industry jobs lead to demand for employment in supplier industries in the wider economy. The ABS construction multiplier is 2.6 - that is, for every single FTE job in the construction industry a further 1.6 FTE jobs are supported elsewhere in the economy.

For the purposes of this analysis direct construction costs for the Woolworths Waterloo mixed use development are estimated at approximately \$150 million.

Total construction costs of \$150 million would support 294 job years *in the construction industry* and support a further 470 job years *in related (supplier) industries* over the development period. Assuming a one year development timeframe, in total the project will support up to **764 construction jobs** as highlighted in **Table 17**.

Local businesses, workers and jobseekers in Waterloo are likely to benefit from increased employment and contracts afforded by the construction phase of the project.

**Table 17 Employment During Construction**

Metric	Value
<b>Direct Jobs</b>	
Construction estimate (\$M)	\$150 million
Estimated direct jobs	294 FTE Jobs
<b>Indirect Jobs</b>	
Indirect jobs per construction job	Approximately 1.6
Estimated indirect jobs	470 FTE jobs
<b>Total FTE Construction Jobs</b>	<b>764 FTE jobs</b>

Source: ABS 2015, Ethos Urban

### 10.1.2 Ongoing employment

Once complete and fully operational, it is estimated that the proposed Woolworths Waterloo development will support a total 273 full-time equivalent (FTE) positions.

Ongoing employment at the Woolworths Waterloo development is estimated taking into account the proposed development scheme as well as workspace ratios sourced from the City of Sydney Floor Space and Employment Survey 2017. Employment estimates are outlined as follows:

- Assuming a full-line supermarket of 3,200m<sup>2</sup> (GFA), this store is estimated to support around 110 FTE positions based on the workspace ratio of 1 job per 30.2m<sup>2</sup> for retail floorspace outlined in the City of Sydney data.
- It is estimated that the retail speciality floorspace at the proposed development would be in the order of 1,260m<sup>2</sup>. This provision of retail floorspace would employ around 40 persons when complete and fully occupied, based on a ratio of 1 job per 30.2m<sup>2</sup> for retail floorspace outlined in the City of Sydney data.
- It is estimated that office space of around 2,000m<sup>2</sup> (GFA) will also be provided. This could support up to 123 jobs once operational, based on a ratio of 1 job per 16.2m<sup>2</sup>.

Note: Figures rounded.

For the retail uses, employment will generally be sourced from residents within the immediate area. This new source of employment is important for young people (for whom retailing is a typical entry-point into the workforce) and others seeking to establish rewarding careers in the retail sector. Retail stores are also an important source of employment for older people seeking to re-enter the workforce, or those seeking casual work.

Local employment stimulus will be critical in the coming years as the economy looks to recover following the COVID-19 pandemic. In particular, jobs created by the Woolworths Waterloo development, including the supermarket, ancillary speciality retail and commercial floorspace, will be important for both the local and regional economy for the following reasons:

- Retail and construction industries are among the top 5 largest industries of employment for the local MTA labour force and there is a need to continually generate local jobs in these industries.
- Typically, jobs accommodated by Woolworths will be filled by people living within close proximity to the store (often within a 15 minute drive). Importantly, the development will align with the Greater Sydney Region Plan, which aims to create a 30-minute city, and providing jobs close to homes is an integral part of achieving this vision.
- The proposed development will support some 273 direct FTE jobs on an ongoing basis once complete and operational, and therefore will contribute to the strategic direction of South Sydney as a key mixed use precinct including residents and workers.

## 10.2 Increased economic output

In addition to employment benefits, the ongoing workforce at the proposed Woolworths Waterloo development will also generate additional economic activity on an ongoing basis, that will further support the local and regional economy.

Value added by industry is an indicator of business productivity. It shows the net economic uplift by excluding the value of production inputs. Value added from the 273 FTE workers is estimated at around **\$29.1 million pa** (2021 dollars) at completion and full occupancy (refer to **Table 18**).

This analysis has been sourced from economy.id (based on modelling by the National Institute of Economic and Industry Research) for City of Sydney LGA with 'best fit' industry sectors applied to likely economic activities at the new development. The results of the analysis assume no substitution effects from outside the regional economy, rather, the activities undertaken at the new asset represent increased net demand associated with population, labour force, and industry growth.

**Table 18 Woolworths Waterloo – Estimated Economic Output at Full Occupancy (\$2021)**

Activity	Supermarket	Speciality Retail	Commercial Office	Total
<i>Economy.id Category</i>	<i>Food Retailing</i>	<i>Other Store Based Retailing</i>	<i>Professional, Scientific and Technical Services</i>	
Employment (jobs)	110	40	123	273
GRP per job	\$119,450	\$148,590	\$285,780	
Value added per job	\$71,150	\$91,190	\$143,680	
<b>GRP Total</b>	<b>\$13,140,000</b>	<b>\$5,944,000</b>	<b>\$35,151,000</b>	<b>\$54,235,000</b>
<b>Value added total</b>	<b>\$7,827,000</b>	<b>\$3,648,000</b>	<b>\$17,673,000</b>	<b>\$29,148,000</b>

Source: Economy.id; Ethos Urban

\*Figures rounded

## 10.3 Additional expenditure generated by the project

The proposed development will support additional residents on site. This resident population would generate an increase in expenditure on retail goods and services in the local and regional area.



Spending per capita on retail by residents within the MTA is estimated at \$16,705 each year on average (MarketInfo). This includes spending on food, liquor and groceries, food catering, non-food items and services.

Based on the development plan, a total of 121 residential dwellings are proposed to be accommodated on the site. The proposed development will support up to an additional 240 residents taking into account the current average household size of 2.0 persons across the MTA.

Considering the number of estimated new residents on the site, and the current average retail spending per year, these residents may spend around \$4.0 million each year on retail goods and services (refer to **Table 19**).

Overall, the increase in expenditure from new residents will benefit the local and regional community, providing additional activity and directing a substantial amount of retail expenditure towards local operators. Importantly, these residents will support demand for a new supermarket in the area, where around a third of the average retail spending per capita is directed towards food, liquor and groceries.

**Table 19 Estimated Additional Retail Expenditure at Full Occupancy**

Metric	Value
Estimated number of new residents	240
Per capita expenditure on local retail per year	\$16,705
<b>Increase in retail expenditure on local retail per year</b>	<b>\$4,009,000</b>

Source: Ethos Urban, MarketInfo

#### 10.4 Trading impacts

Analysis presented in this report shows that the proposed Woolworths Waterloo development would not be expected to have an adverse trading impact on any existing or proposed retail centre. As such the project would not threaten the continued operation or ongoing viability of any centre.

#### 10.5 Consumer Choice

The proposed Woolworths Waterloo development will result in an overall community benefit, supporting growth within this part of Sydney and providing a contemporary full-line supermarket and retail facility that is well suited to cater to the large surrounding community, including providing additional choice, range and price competition for this significant and growing population. This is particularly important for a growing community and an inner-city population such as that provided in Waterloo, as residents would require access to a range of retail facilities, including those with a full range of products, a modern offer, and capabilities including online integration, pick-up and delivery services.

The strategic and central location of the site, at a high-profile intersection and in close proximity to significant existing and proposed residential developments means that the site is ideally positioned to serve existing and future residents in the area. Furthermore, the site is well located compared to existing supermarkets in the area, which are more than 500m from the Subject Site and therefore, the proposal would align with objectives for providing additional facilities within a highly accessible location for vehicles and pedestrians.

The proposed supermarket at the site would represent one of the only full-line supermarket offer within a walkable catchment, or short drive, for tens of thousands of people, providing residents with a convenient, full-line supermarket enabling the population to undertake a larger weekly shop close to their homes. This is important to serve the significant existing and growing residential community.

A full-line supermarket would also result in the retention of supermarket expenditure that is currently being directed to other large supermarket facilities and shopping centres within and beyond the MTA, many of these can already become congested during peak times.

Based on the high population density across Waterloo and South Sydney, an opportunity exists to support a well-balanced retail eco-system, including a new full-line supermarket that will help to serve the immediate growing population within Waterloo through the establishment of a highly accessible neighbourhood centre. The proposed

development represents a logical extension of the network, would complement the GSTC, and ensure a holistic retail network that effectively serves the growing local community.

## 10.6 Other economic benefits

The proposed development will also result in a range of other economic benefits that align with the strategic vision for the South Sydney and Waterloo community including:

- Activation of an under-utilised site into a key community destination that will benefit and support the retail needs of the local community.
- Enhance access, connectivity and walkability within the catchment by establishing an active ground floor use along a major intersection and aligning with the surrounding residential, retail and service offering.
- Increase connectivity and activation of Bourke Street, Young Street and McEvoy Street, including after hours and on weekends. An enhanced retail and residential outcome will generate additional pedestrian traffic and dwell times in the precinct to the direct benefit of local businesses.
- Support a walkable neighbourhood through the provision of increased amenities in Waterloo including public space, local employment opportunities and community facilities.
- Provision of new and additional retail offerings not currently provided within the catchment, including 'direct to boot' and online services that will improve customer choice and amenity, and price competition in the local area, to the overall benefit of the community.
- An improved built form outcome at a key intersection in Waterloo, as a result of a contemporary, high quality design that aligns with the existing density and creation of a 'village feel' for the area.
- Align with the mixed-use and walkable objectives for South Sydney, with the development embodying a live, work, play mixed use precinct that will integrate with existing and future surrounding uses.
- Provision of new housing stock that provides additional housing choice and diversity in the local area within a contemporary and modern development.
- Support the aspiration for a 30-minute city by providing essential retail goods and services, employment space and residential uses in a strategic and easily accessible location along an accessible corridor.

Introducing a 'best in class' full-line supermarket within the MTA will provide a number of benefits for residents and consumers including:

- **Better customer experience** - 'Best in class' supermarkets improve the customer experience.
- **Greater diversity of jobs** - 'Best in class' supermarkets have the potential for a greater diversity of job opportunities. For instance, technological driven solutions require a different range of workers than a typical store. This caters well to the diverse MTA population, providing a range of jobs for a range of local workers.
- **Improved walkability** - The provision of more conveniently located facilities in close proximity to residents' homes.
- **Reduced burden on the local road network** - Continued population growth will add competing pressures to the local road network. 'Best in class' supermarkets will help reduce demands on the road network, through supporting shorter trips by road and more efficient logistic movements and efficient delivery.
- **Promoting local neighbourhood retail renewal** - Several areas within the MTA reflect the former industrial nature of the area, with many sites and streets in need of investment and renewal. Introducing quality supermarkets will promote gentrification, urban renewal and promote improved residential amenity within the MTA.
- **Catalyst for further innovation** - A 'best in class' supermarket in the MTA is likely to encourage other innovative firms and businesses to locate within the area, promoting opportunities for the area to become a hub for these types of operations. This could help to drive demand for office space through the creation of an innovation precinct. This would allow the MTA to develop its own point of difference, leveraging off existing innovation clusters around the periphery of Sydney CBD.
- **Catering to the customer profile** - Residents within the MTA are primarily young professionals and students. They are well educated, highly skilled and come from a diverse range of backgrounds. Their

preference for time of day shopping varies, they require flexibility. They also seek a greater range of products. They are tech savvy and will be well equipped to adopt new retail trends that they have experienced and seen in other countries. These trends have also been noted in the recent growth of cafes, and boutique retail facilities that have been emerging in the area.

- **Green Square Urban Renewal Area as the national leader in sustainability** - A 'best in class' supermarket would help City of Sydney achieve its objective for the Green Square Urban Renewal Area as a national leader in sustainability, adding to other awards already achieved by the precinct including numerous sustainability awards won for GSTC.

## 11.0 Conclusion

In conclusion, this Retail Needs and Economic Impact Assessment outlines the following:

- The Green Square and South Sydney precinct has **experienced rapid growth in the last 10 years**, with population and development occurring far more quickly than predicted in previous assessments. The rapid growth in the precinct is projected to continue in the future.
- While population growth has been significant, **retail development, and particularly supermarket development, has not responded to this growth**. As such, the existing supermarket environment consists of only a limited number of major full-line supermarkets serving a large and growing resident population, along with a range of smaller supermarkets focused on serving the top-up shopping and immediate needs of the local population.
- Based on the existing and projected population in the area, the result is a **substantial under-provision of supermarket floorspace, and particularly full-line supermarkets**, with this under-provision to continue to grow even allowing for known proposed supermarket developments. Consequently, the area suffers from **reduced convenience and amenity** through **increased congestion** (both on the roads and at existing full-line stores) and **reduced access to full-line supermarkets** in close proximity to resident homes. This under-provision is supported by existing benchmarks, averages and also data analysis from customer movements such as Quantum.
- There is **substantial existing and forecast demand for additional supermarkets and retail facilities within the precinct, particularly for full-line supermarkets which form an essential component of a complete retail network**. This assessment suggests that at least three (3) additional major full-line supermarkets would be required within the defined Waterloo MTA by 2036 in order to adequately service the existing and planned population.
- This assessment indicates that the proposed Woolworths Waterloo development (including an estimated 4,460m<sup>2</sup> of retail GFA) could achieve total retail sales of \$48.5 million in 2025/26 (constant 2021 dollars). Total sales comprise estimated sales of \$38.4 million for the major full-line supermarket component and \$10.1 million for the retail specialty floorspace.
- A review of projected retail impacts that are likely to result from the proposed development indicate that **the proposed Woolworths Waterloo development would not be expected to have an adverse trading impact on any existing or proposed retail centre**. As such the project would not threaten the continued operation or ongoing viability of any centre.
- An impact assessment suggests that even with the proposed Woolworths Waterloo development in 2026, **all existing centres in the local area are projected to achieve sales in 2026 that are higher than existing 2021 trading levels**. Due to the anticipated growth in the market, any impact from the proposed development will be in the short term only, and likely to be absorbed within 1-2 years. Further, the viability of key centres such as GSTC is not in doubt, with this centre well positioned to capture future market growth, and will benefit from ongoing expansion over time which will mitigate any short term impact from the proposed development.
- The Woolworths Waterloo project will result in a number of economic benefits including generating up to **764 FTE jobs during construction, and 273 ongoing jobs once complete and fully occupied that are estimated to generate up to \$29.1 million in value added economic activity each year**. Additional residents living at the Subject Site will also generate additional retail expenditure that will be directed to local businesses and help to support activation.
- A limited availability of sites exist that can support major full-line supermarkets and complementary retail development in the MTA. As such, **the proposed Woolworths Waterloo development represents a unique opportunity to better serve the local community, particularly as the area continues to grow rapidly in the coming years**.
- The addition of a contemporary full-line supermarket at the Subject Site would ultimately result in a net community benefit, supporting the **retention of supermarket expenditure that is currently escaping the MTA, improving access, amenity and convenience for the local population**.