

Attachment C

**Peer Review Retail Needs Analysis
923-935 Bourke Street, Waterloo**

Addendum: Review of Planning Proposal Retail Needs Analysis

City of Sydney

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Certified



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1. Introduction

1.1 Background

Ethos Urban, on behalf of Fabcot Pty Ltd has submitted a Planning Proposal for the site at 923-935 Bourke Street, Waterloo. The Planning Proposal seeks to amend the Sydney Local Environmental Plan (LEP) 2012 by:

- Increasing the maximum floor space ratio control from 2.2:1 (inclusive of all bonuses) to 2.9:1, but only if the additional 0.7:1 FSR is provided below ground level and for the purposes of a supermarket
- Excluding the subject site from the provisions of Clause 7.23 of the LEP, so as to allow retail premises larger than 1,000sqm
- Increasing the height of buildings control from 15 metres to part 22 metres and part 27 metres.

A proposed amendment to the Sydney DCP 2012 would accompany the subject Planning Proposal, consistent with Clause 7.20 of the LEP.

The overall intention of the Planning Proposal is to facilitate the construction of a mixed-use development including a supermarket and other retail uses on ground and lower ground floors, with commercial and community floor space, and residential dwellings above. Of particular relevance to this report are the associated retail analyses, by both the proponent of the Planning Proposal and by Leyshon Consulting on behalf of another landholder in the Green Square precinct, which either support or object to the removal of the 1,000 sqm retail floor space cap.

1.2 Scope of work

The purpose of this review is to independently review the assumptions, logic, data and methodology used in the Retail Analyses and EIA by Ethos Urban, and the Retail Analysis by Leyshon Consulting. SGS's peer view has assessed how *defendable* the reports are based on the appropriateness of the methodology used and conclusions drawn. The 'internal' logic has been reviewed (i.e. the consistency within each report between source data and calculations), as well as 'external' validity, namely the conclusions drawn.

This addendum is structured as follows:

- Chapter 2: Review of Ethos Retail Needs Study and Economic Impact Assessment
- Chapter 3: Review of Leyshon Consulting Review of Supermarket Provision
- Chapter 4: Testing of Proposed Concept using SGS's Retail Gravity Model

1.3 Notes on methodology

There are several approaches to Retail Analysis. The Green Square and Southern Areas Retail Review (May 2022) simulated the operation of the retail market via a Retail Gravity Model (RGM). The RGM takes a network-wide mathematical approach to retail modelling and acknowledges the attributes that contribute to a centre's 'pull' – that is, a centre's characteristics which may be able to attract shoppers from greater distances. This acknowledges that retail centres are not independent entities with complete dominance on their local market. The retail gravity model measures the relationships between centres in a dynamic retail system and assesses individual centre performance in the context of the system.

There are numerous benefits to this approach, for example:

- All spending across the retail system is accounted for once and only once
- Catchments are generated through data analysis rather than through the judgement of consultants, and
- A gravity model captures the continuous and dynamic nature of catchments, based on changing demand, supply, and transport infrastructure.

The Ethos Urban Retail Analyses do not use the RGM approach. Instead, a 'shift-share' retail modelling is approach. The 'shift share' method examines a single centre (but can be replicated across several centres if assumptions are kept constant) by examining future population and expenditure within a given area. The 'shift-share' model is commonly used and generally accepted. However, it relies on a high degree of judgement around catchment definition, which are arbitrarily drawn. The approach is constrained in this sense. It is not a network-wide approach and limits analysis to the centres in focus and their assumed catchment areas. Despite these limitations, SGS is able to appraise the judgements and assumptions within a 'shift share' retail model, but it is noted that this retail modelling methodology is not the same as that used in the Retail Review (May 2022) and is not SGS's preferred approach to retail analysis.

2. Ethos Urban

2.1 Introduction

Ethos Urban has prepared several retail analyses and an Economic Impact Assessment (EIA) for both the site-specific Planning Proposal, and for retail in the Green Square and Southern Areas generally, including:

- Green Square Village Retail Needs Assessment (April 2020)
- Technical Paper: Strategic Justification for Amending the Retail Floorspace Cap (September 2020)
 - References: Green Square Village – Retail Needs Assessment (April 2020), Retailing in South Sydney – presentation to City of Sydney (April 2020) and South Sydney Retail – presentation to City of Sydney (September 2020)
- Planning Proposal Report: Woolworths Waterloo – Retail Needs and Economic Impact Assessment (November 2021)

For the purpose of this review, the primary focus will be placed on the Retail Needs and Economic Impact Assessment (November 2021). However, given that a broader Retail Review has been completed for the Green Square and Southern Areas in May 2022, commentary will also be made on the Green Square Retail Needs Assessment (April 2020).

2.2 Trade Area Definition

The Planning Proposal's Report (November 2021) identifies the following trade area.

FIGURE 1: MAIN TRADE AREA MAP



Source: Ethos Urban (2021)

The report underscores that this trade area has been informed by the location of existing and proposed retail competition, the surrounding arterial road and freeway network, physical barriers to movement, and walkability.

The selection of this trade area is generally reasonable although ultimately is based on professional judgement rather than market share calculations or shopper surveys. SGS has further analysed the trade area boundaries to determine alignment with statistical boundaries, which allows for a more accurate extraction of population data than if arbitrary boundaries were to be drawn. The trade areas in the Planning Proposal Report (November 2021) align with SA1 boundaries and are typically made up of several SA1 parcels. Generally, the size of the trade area is reasonable given the scale of the proposal, however, SGS underscores that the limitations of the 'shift share' retail model, as articulated in Section 1.3 of this Addendum.

It is noted that the trade area does not include the proposed Emerald City site or any of the Green Square Town Centre area, despite both being located immediately adjacent to the designated trade area. While this is not necessarily a flaw, it does mean that assumptions around expenditure containment need to be carefully considered. For example, if the Emerald City site was included in the trade area, a greater quantum of retail floor space would be provided within the trade area, meaning that the identified need for retail floor space within the trade area would reduce.

The Green Square Village Needs Assessment (April 2020) adopts a wider trade area as shown in the figure overleaf.

FIGURE 2: WIDER TRADE AREA



Source:

Ethos Urban (2020)

This wider catchment is intuitive as the Green Square Town Centre provides a much larger retail offering than a single site. However, it does differ to the trade area defined by the 2008 JLL study, which designates greater portions of Waterloo and Redfern as the primary trade area. While this is not necessarily a concern, it does mean that direct comparisons between the JLL study and the village needs assessment (April 2020) should be made with caution. In any instance, it would have been more intuitive to include greater portions of Waterloo – particularly the Waterloo Estate, and the primary trade area and to include the Eveleigh Tramsheds – which now has a notable supermarket and other retail offering, in the secondary trade area. The inclusion of both precincts would have provided a more complete account of new and proposed retail within the broader Green Square and Southern Area.

Further, similar to the Planning Proposal Report (November 2021), while the trade areas are largely appropriate given the scale of proposed development, assumptions regarding expenditure containment within trade areas need to be carefully considered.

In summary, the trade areas defined in both Ethos Urban retail analyses are largely appropriate. However, in both instances, there seems to be scope to expand the trade areas to account for new or proposed retail offerings in the wider precinct – include the Emerald City development and Green Square Town Centre in the Planning Proposal Report (November 2021) and Waterloo Estate and South Eveleigh in the Village Needs Assessment (April 2020).

2.3 Retail Demand

Two critical components of determining retail demand are the population within a given area, and the expenditure profile of that population. These two inputs that determine how much retail expenditure will be generated in a given area and is the step immediately prior to ascertaining how much retail floor space needs to be provided to address this generated expenditure. Subsequent to this, assumptions can be used to inform how much of the forecast expenditure is to take place in particular retail types and within the defined retail trade area. All of the assumptions underpinning population-driven demand will be analysed in this section of the report.

Population Forecast

Both retail analyses, the Village Needs Retail Assessment (April 2020) and Planning Proposal Report (November 2021), provide population forecasts for primary and secondary trade areas separately.

The existing population has been informed by the Estimated Resident Population (ERP) data released by the Australian Bureau of Statistics (ABS) and future population forecasts have been informed using Forecast ID. Both sources are reputable and are standard when forecasting future population growth. It appears that the forecasts have also been augmented based on recently approved Development Applications and other assumptions.

The table below compares the Planning Proposal's retail needs analysis population projections to TfNSW Travel Zone Projections (TZPs) using the TZP19 dataset for the same area. This comparison is made to determine how similar or different the population projections are in the Planning Proposal Report (November 2021) are to other Government-issued projections. The table reveals that the quantum of population growth between 2016 and 2036 in the Planning Proposal Report (November 2021) is double that of the TZPs.

TABLE 1: COMPARISON OF POPULATION PROJECTIONS

	2016	2021	2026	2031	2036	Difference 2016-36
TZPs (TfNSW)	27,326	30,730	33,303	37,785	40,707	13,381
Ethos Urban (ABS/Forecast ID, Cordell Connect, Ethos)	28,400	34,800	40,700	48,400	55,400	27,000

Source: SGS (2022)

The TZP dataset relies partly on Department of Planning and Environment (DPE) planning assumptions regarding average household size in order to estimate future population. SGS acknowledges that DPE’s average household size data for the City of Sydney is below actual rates, and that as a result, the population is likely to be higher than projected above. Nevertheless, a population discrepancy of over 15,000 people in 2036 is significant and unlikely to be driven by low average household size assumptions alone.

SGS is unable to verify the Ethos Urban population projections as it appears that ABS projections have been augmented. The Retail Review (May 2022) uses population projections on a network-scale and given the two differing geographies, a direct comparison cannot be made. However, through an understanding of datasets, it would be understood that the projections up to 2021 are more likely to be in line with ABS projections, while the more conservative growth rates observed under the TZP forecasts may be applicable post 2021 to account for the impacts of COVID-19. This would most likely result in a 2036 population somewhere in between 40,707 and 55,400 in 2036. However, it is reiterated that the ABS forecasts appear to have been augmented and it is not made clear in the Planning Proposal Report (November 2021) as to how.

A more transparent account of how the population forecasts have been derived is needed to properly verify them. At face value however, it appears that the population forecasts are on the high side. A higher population forecast would directly impact on forecast retail demand (higher population forecast results in higher demand) as retail demand is a function of population and expenditure profiles. Thus a higher forecast demand would justify the development of a higher quantum of retail floor space within the study area.

Further to this, both Ethos retail analyses use Transport for NSW employment forecasts to determine future worker numbers in the retail trade area. SGS can verify that the forecast worker numbers in the designated trade area are broadly accurate.

However, it should be noted that that the TfNSW forecasts do not currently factor in the impacts of the COVID-19 pandemic (we understand that updated forecasts for population and employment will be made available later this year). There is emerging evidence that the pandemic has slowed population growth, particularly in inner city areas with previously high concentrations of incoming migrants and international students. The study area generally aligns with these characteristics. However, in the absence of up-to-date census data, or other post-COVID survey data, it is not possible to ascertain the degree of impact COVID-19 has had on the population within the study area.

Expenditure

In both Ethos Urban retail analyses, retail expenditure has been informed by the MarketInfo retail spending model that utilises a variety of data sources (principally the ABS Household Expenditure Survey) to estimate retail spending by broad categories. This includes Food, Liquor and Groceries (FLG), Food Catering, Non-Food and Retail Services.

The MarketInfo retail spending model has become the industry-standard for retail assessment, and its use here is appropriate.

Allocation

The Planning Proposal Report (November 2021) assumes that 65% of all FLG spending is directed to supermarkets. This is a fairly conservative estimate as the national benchmark is typically 75%, particularly as supermarkets have competed more aggressively with specialist food retailers by expanding fresh fruit, luxury and international food offerings, and during the COVID-19 pandemic, captured as much as 82% of industry revenue¹. A rate of 75% would still be more appropriate given time limitations on essential shopping are no longer in force. The exception to this benchmark is where a fresh food market is located in, or in close proximity to, the retail trading area. Given that there is no notable fresh fruit market (wholesale to public, etc.) in the retail trading area or immediate surrounds, a higher share of FLG spending could be attributed to supermarkets in this instance.

Of this amount, it is assumed that 75% will be retained in the defined retail trading area. Retention rates are dependent on: the extent of the defined trading area, the nature of provision inside and outside that boundary, shopper profiles and the nature of travel/ accessibility. For these reasons, any comparison of the extent of leakage from one defined trade area and another is very difficult. If conducting a similar style of analysis, SGS would have assumed a retention rate of 55-65%, however, a better picture of provision can be gained through measures of per capita floorspace and accessibility analysis. In summary, SGS typically uses a higher supermarket capture of FLG spending (75% instead of 65%) but a lower supermarket capture of trade area (65% instead of 75%). These differences are the inverse of each other, meaning that should the Planning Proposal Report (November 2021) be augmented to adopt SGS's rates, the allocation of spending to supermarkets within the trade area would likely be the same or similar.

The analysis also assumes that an additional 20% (of the value of the 75% retained in the trading area) FLG sales to stem from workers and visitors to the retail trading area, with a potential to increase to 32-36% if the subject supermarket is developed. This figure is relatively high given that workers make up 15.6% of the total worker and resident population in 2036 in the retail trading area, and workers typically spend less at their place of work than their residence. While it is acknowledged that the retail trading area includes the popular Coles East Village and that additional non-worker visitors may visit the area, the number is still at the high-end and needs further justification.

It is noted that the village retail needs assessment (April 2020), which used a broader trade area, assumes that an additional 15% of FLG sales stems from workers in the trade area. It is noted that this trade area also includes the East Village Coles and other retail tenancies. If a 'shift-share' retail analysis were to be used, SGS would assume an additional 15% FLG sales to stem from workers and visitors to

¹ IBISWorld: Supermarkets and Grocery Stores in Australia - Market Research Report, March 2022

the area, consistent with the village needs assessment (April 2020), as the benchmark as the rate of 20% appears to be too high. A lower rate would result in lower retail demand and by extension, a lower quantum of retail floor space would be required in the identified trade area.

Finally, the Planning Proposal Report (November 2021) also assumes that supermarkets will account for 6% of total non-food expenditure. This is the same percentage as that in the village retail needs assessment (April 2020). This is generally acceptable given the diverse offering of supermarkets that co-locate both food and non-food items.

Retail Turnover Density

Retail Turnover Density (RTD) determines how much turnover is produced per square metre of a specified retail type. By understanding RTDs, an extrapolation can be made to convert the total forecast expenditure into a supportable retail floor space quantum.

The Planning Proposal retail needs assessment (November 2021) applies a starting RTD of \$9,000 per square metre for supermarket floor space, which is to increase by 0.5% per annum, in order to estimate floor space demand growth. This is provided in the table below.

TABLE 2: MTA INDICATIVE RETAIL FLOORSPACE DEMAND GROWTH, 2021 TO 2036

	Food	Non-Food	Total Retail
2021 Sales Density^a	\$9,000/m²	\$6,000/m²	\$7,400/m² (derived)
2021	36,100m ²	42,700m ²	78,800m ²
2026	42,000m ²	52,700m ²	94,700m ²
2031	49,300m ²	64,900m ²	114,200m ²
2036	55,700m ²	76,900m ²	132,600m ²
Total Growth 2021-2036	+19,600m²	+34,200m²	+53,800m²

Source: Ethos Urban (2021)

A RTD of \$9,000 per square metre for supermarket floor space is low – especially in an inner city location. However, the assumption that RTDs will increase by 0.5% is reasonable as growth is typically between 0.5-0.75% per annum, depending on the commodity type.

It is noted that different RTDs are used in the village retail needs assessment (April 2020), as provided below, which are even lower than the Planning Proposal retail needs assessment.

TABLE 3: TRADE AREA INDICATIVE RETAIL FLOORSPACE DEMAND GROWTH, 2019 TO 2036

	Food	Non-Food	Total Retail
2019 Sales Density^a	\$8,500/m²	\$5,500/m²	\$6,800/m² (derived)
2019	142,900m ²	177,100m ²	320,000m ²
2026	175,500m ²	236,100m ²	411,600m ²
2031	186,100m ²	265,600m ²	451,700m ²
2036	194,300m ²	294,100m ²	488,400m ²
Total Growth 2019-2036	+51,400m²	+117,000m²	+168,400m²

Source: Ethos Urban (2020)

While the start year is 2 years earlier than the Planning Proposal retail needs assessment (April 2020), the selected RTDs are still lower than we would expect if the report's logic of RTDs increasing by 0.5% a year is applied (using this annual escalation, non-food and total retail would be \$8,585, \$5,555 and \$6,868 respectively in 2021).

Further to this, it is uncertain why the RTD reported for forecast supermarket provision differs to the RTDs used to derive future supermarket floorspace demand (\$10,000 vs. \$9,000). An intuitive application of RTDs would apply the same RTD across both supply and demand.

A lower RTD would mean that a greater quantum of retail floor space would need to be provided to satisfy projected expenditure. By a similar token, a higher RTD would mean that less floor space would be required to satisfy projected expenditure, but would also mean that the reported economic benefits of new retail supply would be higher than if the RTD was lower.

An RTD of \$8,500 to \$9,000 for supermarkets is more common for supermarkets located in regional or rural area with small local catchments and with a degree of competition. For example, the Urbis Shopping Centre Benchmarks (2018) apply an RTD of \$11,862 per square metre for supermarkets located in Regional Shopping Centres. The Green Square and Southern Areas are contextually different to regional areas and are establishing as densely populated inner-city areas. Applying a lower RTD that is reflective of a regional shopping centre would skew the quantum of supermarket floor space that is required to meet supermarket demand so that more floor space is required.

Supermarkets in inner city areas, such as Green Square and the Southern Areas, typically have an RTD of above \$13,000, with the RTD even above \$15,000 in highly populated areas with high disposable incomes and a minor retail centre. This results in lower supermarket floor space being required to address retail demand for supermarkets.

The Urbis Shopping Centre Benchmarks (2018) for Single Supermarket Based Shopping Centres sets an RTD of \$12,656. By applying an annual growth rate of 0.5%, this results in an RTD of \$14,650 in 2021. As such, it would be expected that the supermarket RTD should be at least 63% higher than reported in the Planning Proposal Report (November 2021). This would suggest that the Planning Proposal Report (November 2021) overstates the quantum of supermarket floor space required in the trade area.

The following table gives an example of the differing quantum of supermarket floor space that is required if the stated main trading area supermarket sales of \$135,400,000 in 2021 is applied. The column on the left provides indicative RTDs while the middle column provides the resulting supermarket floor space that is demanded should the indicative RTD be applied. The column to the right compares the supermarket floor space provided under the indicative RTD and the RTD used in the Planning Proposal Report (November 2021) of \$10,000.

Table 4: IMPACT OF RTDs ON SUPERMARKET FLOOR SPACE DEMAND Stated MTA supermarket sales 2021 (\$m)		\$ 135,400,000	
RTD (\$/ sqm)	Sqm		Difference to \$10,000 RTD
\$10,000	13,540		-
\$12,000	11,283		2,257
\$13,000	10,415		3,125
\$14,000	9,671		3,869
\$15,000	9,027		4,513
9,020 currently supplied			

Source: SGS (2022)

Given the location of the retail trade area, SGS would anticipate a RTD of at least \$13,000 in the start year, increasing by 0.5-0.75% year-on-year. Holding all else equal, this would mean that the Planning Proposal Report (November 2021) has overstated supermarket floor space demand somewhere in the order of 3,125sqm in 2021 (stated demand of 4,522m²) and 6,449sqm in 2036 (stated demand for 11,621m²), inclusive of the reported undersupply. The implication of using lower RTDs is that if the supermarket were in operation in 2021, there would be a supermarket over-provision of approximately 2,800 square metres. However, with an increasing population, an under provision of 972 square metres will exist by 2036.

Reported Undersupply

Similar to the 2008 JLL Green Square and Southern Areas Retail Study, the Planning Proposal retail needs assessment (November 2021) reports an undersupply of supermarket floor space in the order of 4,522 square metres, which is projected to increase to 11,621 square metres by 2036. This is estimated to be more than one supermarket in 2021, and at least three supermarkets by 2036.

The broader Green Square Village retail needs analysis (April 2020) also points to an undersupply, with a shortage of 13,727 square metres in 2021 increasing to 24,865 square metres in 2036. This is the equivalent of 4 full-range supermarkets in 2021, increasing to 7 by 2036.

The Retail Demand analysis in the Ethos Urban reports had determined existing undersupply by overlaying current retail expenditure (as informed by population and per capita expenditure statistics) against RTDs. This method involves using a value-judgment to select an 'appropriate' RTD in order to determine what the current supply of supermarket floor space should be. As articulated in Section 2.3 of this report, the selected RTD appears to be low, which has resulted in the high levels of quoted under supply noted above. An alternative approach to testing the validity of the reported supermarket undersupply is to apply per capita benchmarks.

For supermarkets specifically, a benchmark per capita provision of 0.30-0.32 square metres per person is generally accepted to be appropriate. Utilising the Planning Proposal's retail needs analysis 2021 population of 34,800 people, this would suggest that 10,040 - 11,136 square metres of supermarket floor space should currently be provided in the trade area. Given the current supply of 9,020 square metres, this suggests that the existing supermarket supply gap is more likely to be in the order of 1,420 – 2,116 square metres, which is less than the stated 4,522 square metres.

2.4 Retail Supply

Existing and Future Supply

The Planning Proposal retail needs analysis accurately captures all existing and proposed supermarket supply up until 2026. However, the analysis does not include any supply past 2026, despite forecasting supermarket provision up until 2036.

Given a concerted effort by State Government agencies to exhibit and progress with the Waterloo Estate South Planning Proposal, it is reasonable to assume that the full-line supermarket proposed under the development scheme will come online by 2036. Further to this, a supermarket offering is also proposed for the Danks Street South site, however, it is unclear what size this supermarket will be.

The same logic was applied to the Green Square Village retail needs analysis where the relevant analyses projects a 2021 population of 149,500 people. This would warrant a supermarket provision of 44,700 – 47,680 square metres. Given a supermarket supply of 38,410 square metres, this would suggest an undersupply of 6,290 – 9,290 square metres, less than the stated 13,727 square metres.

The documented retail supply is generally sound. While it can be expected that the supermarket proposed for the Waterloo Estate South will come online by 2036, it is unlikely to materialise substantially earlier – thereby only impacting on supply in the final year of analysis.

It should also be acknowledged that retail supply is significantly harder to forecast than retail demand, as it is driven by development proposals and localised market trends, rather than broader demographic trends.

2.5 Economic Impact Analysis

The Planning Proposal Retail Needs Assessment is accompanied with a brief Economic Impact Analysis (EIA) that seeks to demonstrate the broader economic benefits of the supermarket development proceeding. The following is a brief assessment of the EIA.

An EIA generally defines a region, generates economic multipliers based on the economic structure of that region, and applies these multipliers to new economic activities that are introduced into the region by a proposed project.

New economic activities

The EIA assumes that the project's construction and operation will introduce completely new economic activities into the local/regional economy. This negates the fact that the current zoning already permits commercial activity on the site and that alternative development which do not provide a supermarket could still generate economic activity on the site.

The EIA are misleading in this sense, given that it assumes that the supermarket is an entirely new economic activity. It would be more appropriate to compare the economic impacts of the proposed project with a base case development that aligns with current planning regulations, acknowledging that the current planning controls already permit commercial activity.

Employment benefits

In the construction employment estimation, Section 10.1.1 of the EIA states that:

- Direct employment multipliers have been developed through internal research (1 FTE job per \$510,000 of capital spending)
- Indirect employment multipliers have been derived from the ABS national accounts input-output analysis, specifically, employment multipliers (1.6 FTE jobs for every 1 FTE construction job).

Input output analysis is often criticised for overstating the economic impacts because multipliers derived through this process do not account for substitution, competition and pricing effects in the relevant economy. Given that the economy is at historically high (full employment) levels, the failure to account for substitution and competition effects is significant. Jobs in one sector can come at the expense in jobs in other sectors because of labour force constraints particularly.

Moreover, Ethos Urban does not define the economic region used to generate its multipliers. That is, it is unclear if they relate to the City of Sydney or the broader NSW or Australian economy.

Given these two issues, it is likely that employment benefits are overstated at the local and/or regional level.

Irrespective of the above, the results in Table 17 are incorrectly labelled. That is, 764 FTE jobs are not created by the project's construction. Correct labelling would state that 764 FTE job years, or 764 jobs are created for a period of one year.

During the ongoing operation of the project, the following employment generation ratios have been adopted to estimate the 288 FTE jobs directly accommodated by the project:

- 1 FTE job per 30 sqm of retail development
- 1 FTE job per 16 sqm of office development.

These rates appear optimistic. Often SGS applies higher floorspace allowances for non-CBD based environments and the floorspace allowances provided in a post-Covid environment are unknown; they may be larger given the need to socially distance.

Local jobs for local residents

The EIA asserts that employment opportunities generated by the project, during construction and operation (retail), are likely to be taken up by locals. However, no evidence is provided to back this claim.

By way of example, 67.2% of Zetland's population are employed as professionals, managers and administrative/clerical officers (54.6% for Greater Sydney). Further, the median weekly salary in Zetland is \$877 (\$719 for Greater Sydney)

Given the high cost of housing in the local area, white-collar labour force and high salaries, it may be difficult for local retail workers to afford local property rents or purchase prices. Therefore, the jobs generated by the proposed supermarket are likely to be serviced by individuals not living in the immediate proximity to the proposed supermarket.

2.6 Conclusions

The studies submitted as part of the Planning Proposal suggest that there is sufficient demand for the development of a supermarket at 923-935 Bourke Street, Waterloo.

Notwithstanding the limitations of a 'shift-share' retail analysis, SGS has peer reviewed the retail analyses submitted as part of the Planning Proposal and concludes the following:

- The methodology is generally sound.
- Assumptions regarding population projections are not transparent and need to be clarified.
- The retail demand figures seem too high. This is driven by low RTD rates applied to existing and proposed retail floor space which result in both a high existing undersupply and high rates of retail floor space needing to meet future demand.
- The forecast retail supply is generally sound.
- Claims about local employment benefits and jobs for local residents are overstated.

3. Leyshon Consulting

3.1 Introduction

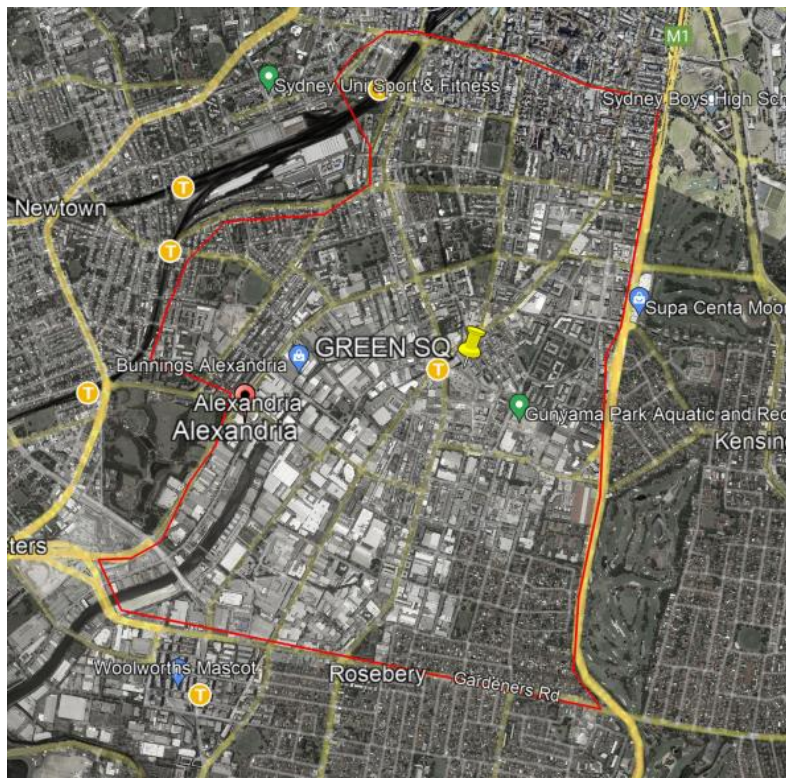
Leyshon Consulting has completed a Review of Supermarket Provision on behalf of Gazcorp Pty Ltd, which intends to develop a shopping centre at Green Square, known as Emerald City. It is planned for the shopping centre to include a full-line supermarket, with the anchor still not known. It is noted that approval was granted for the development scheme in 2013, however, substantial construction has still not commenced.

This analysis is brief and does not rely on a shift-share analysis or retail gravity model. Instead, retail provision benchmarks are used to determine whether sufficient supermarket floor space is provided on a per capita basis. While this approach does not replace the role of retail analyses which assess the impact of retail provision in a defined trade catchment area, benchmarks are a useful, albeit simplistic, tool in estimating supermarket floor space provision.

3.2 Trade Area Definition

The review of retail provision has identified a broad catchment area, encompassing the whole Waterloo-Beaconsfield and Erskineville-Alexandria SA2s and the state suburb of Redfern.

FIGURE 3: GREEN SQUARE REGION



Source: Leyshon Consulting (2021)

The identified trade area would be inappropriate for a shift-share analysis given its size and it would be more appropriate to analyse the area under a retail gravity model. However, the purpose of this analysis is to examine supermarket provision under particular benchmarks and is accordingly acceptable.

3.3 Retail Demand

Population Forecasts

The population forecasts have been determined using ABS data to 2020, and with the growth rate between 2019-20 informing the forecast out to 2021 and 2026. This results in a population of 78,495 in 2021 and 86,401 in 2026. It is noted that these forecasts do not consider the full impacts of COVID-19, and the population forecasts may be lower as a result of previous projections. However, in the absence of detailed census data, these projections are generally acceptable.

Per Capita Demand

The Review of Supermarket Provision applies a per capita supermarket provision based on national and city averages to determine whether sufficient supermarket floor space is being provided. This approach is not as detailed as a complete retail system analysis, but is an appropriate benchmarking exercise.

An Australian average of 0.32 square metres of supermarket floor space per capita is assumed. SGS's previous analysis of supermarket provision indicates that a benchmark provision of 0.3 to 0.32 square metres per capita is typically accepted as the national average.

However, the report also states that 0.22 to 0.25 square metres of supermarket provision per capita is provided in inner city areas, mostly attributing to the difficulty of finding suitable sites for stores in these areas and other demographic factors. SGS is not aware of this level of provision and would generally caution against using this rate of provision as a suitable benchmark for this study area. In particular, this assumption would place a value judgement about the appropriateness of this lower level of provision.

3.4 Retail Supply

Existing and Future Supply

The identification of current and proposed supermarket provision is generally sound. However, the following two points are raised. Firstly, the Coles in Surry Hills is no longer operational as it is being redeveloped and its reopening is anticipated in 2024 at a greater size than the previous store. Secondly, the listed Erskineville Woolworths Metro is outside of the identified trade area. Collectively, this reduces the current supply by 4,050 square metres, but conversely increases the future supply by 4,200 square metres.

Reported Oversupply

By adjusting the retail supply to remove the Surry Hills Coles and Erskineville Woolworths Metro, a per capita supermarket provision of 0.25 square metres is provided – below the benchmark of 0.3-0.32 square metres per capita. Based on the future supply pipeline and projected population in 2026, this

per capita supermarket provision improves to 0.316 square metres per capita. This is still within the national benchmark and should not be considered an oversupply.

3.5 Conclusion

The Leyshon study submitted in response to the Planning Proposal suggests that there is no demonstrated need for a supermarket at 923-935 Bourke Street, Waterloo.

Notwithstanding the simplistic nature of applying retail floor space benchmarks to inform retail policy, SGS has peer reviewed the retain analyses submitted in response to the Planning Proposal and concludes the following:

- The methodology is simplistic, but common.
- The adopted supermarket floor space benchmark of 0.3 to 0.32 square metres per capita is based on Australian averages and is generally sound.
- The claim that a benchmark of 0.22 to 0.25 square metres of supermarket floor space per capita may be a more appropriate benchmark in inner-city locations is not sufficiently justified and should be disregarded.
- The supermarket supply in 2021 is not accurate, but the forecast supermarket supply rectifies this error.

4. Testing of Proposed Concept

This section of the report tests the impact of the proposed 4,850 square metre supermarket being developed in Waterloo and coming online by 2026. This is in accordance with a Planning Proposal lodged for 923-935 Bourke Street, Waterloo. This testing is conducted using a whole-of-network Retail Gravity Model – it does not replicate or adjust the shift-share retail model used in the Ethos Urban analysis. For the purposes of this analysis, the retail gravity model has been used to test the impacts of supermarket on two other retail clusters; Green Square (per the ministerial direction which requires an appraisal of the impacts on nominated strategic centres) and the rest of Waterloo (as a reference).

Green Square Retail Cluster

The anticipated supermarket turnover in Green Square in 2026 is expected to be \$36.48 million, increasing to \$100.25 million by 2041. With the addition of the new supermarket at 923-935 Bourke Street, Waterloo, the expected turnover is expected to be \$34.75 million in 2026, and \$96.48 million by 2041. This represents a 4.7% impact on Green Square's supermarket turnover in 2026, which reduces to 3.8% by 2041

In terms of actual floor space, the proposed supermarket would reduce the unmet demand for supermarket floor space in Green Square in 2041 from 1,305 square metres to 993 square metres. This represents a reduction in unmet demand by 312 square metres, or 23.9%.

It is generally accepted that an impact is acceptable if turnover reduction for the centre as a whole is below 10%. Where a centre is anchored by a specific retailer (such as a supermarket), the turnover impact on that anchor is a legitimate consideration and again an impact on turnover of 10% in the first year of operation is the generally accepted threshold. In this instance, the proposed supermarket would reduce supermarket turnover in the Green Square Town Centre by \$1.73 million, which is a -4.7% impact on turnover that would have been achieved if the supermarket did not proceed. From a retail market perspective, this is deemed acceptable. The impact of only -4.7% on turnover in Green Square suggests that the impacts of the proposed supermarket are dispersed through the system and that there is sufficient demand within the retail network to absorb the new supermarket without significantly impacting on existing retail centres.

Waterloo Retail Cluster

The anticipated supermarket turnover in Waterloo in 2026 is expected to be \$103.49 million, increasing to \$126.38 million by 2041. With the addition of the new supermarket at 923-935 Bourke Street, Waterloo, the expected turnover is expected to be \$98.65 million in 2026, and \$120.69 million by 2041. This represents a 4.7% impact on Waterloo's supermarket turnover in 2026, which reduces to 4.5% by 2041.

In terms of actual floor space, the proposed supermarket reduces the unmet of supermarket floor space being demanded in Waterloo in 2041 from 1,566 square metres to 1,104 square metres. This represents a reduction in unmet demand by 462 square metres, or 29.5%.

The proposed supermarket would reduce supermarket turnover in Waterloo by \$4.84 million, which is a -4.7% impact on turnover that would have been achieved if the supermarket did not proceed. From a retail market perspective, this is deemed acceptable.

Discussion

From a retail market perspective, the proposed supermarket at 923-935 Bourke Street Waterloo will not result in an unacceptable impact on any retail cluster within the Green Square and Southern Areas, including the Green Square Town Centre. Notable, but acceptable impacts are expected to be spread across numerous centres in the system, as shown in the tables below. The retail clusters shown in the tables below are in order of impact. Impacts have been expressed in terms of both total impact in turnover and total impact as a percentage of turnover change.

TABLE 4: IMPACTS OF PROPOSED SUPERMARKET ON DIFFERENT RETAIL CLUSTERS – TURNOVER CHANGE IN \$

Retail Cluster	Difference in supermarket turnover 2026 (\$)
Waterloo	-\$4,838,487
East Village	-\$2,657,337
Bondi Junction	-\$2,000,379
Cleveland Street	-\$1,972,585
CBD South - Haymarket	-\$1,880,051
Green Square	-\$1,732,714
North Alexandria	-\$1,617,284
Redfern	-\$1,092,815
Westfield Eastgardens	-\$1,069,310
Broadway	-\$966,262
Eastlakes Shopping Centre	-\$906,340

Source: SGS (2022)

TABLE 5: IMPACTS OF PROPOSED SUPERMARKET ON DIFFERENT RETAIL CLUSTERS – TURNOVER CHANGE IN %

Retail Cluster	Difference in supermarket turnover 2026 (%)
East Village	-6.2%
Waterloo Precinct	-5.5%
Green Square	-4.7%
Waterloo	-4.7%
Redfern	-2.9%
Cleveland Street	-2.6%
Strawberry Hills	-2.5%
North Alexandria	-2.4%
South Rosebery	-2.0%
Kensington	-1.9%
South Everleigh	-1.8%

Source: SGS (2022)

TABLE 6: IMPACTS OF PROPOSED SUPERMARKET ON DIFFERENT RETAIL CLUSTERS – DEMAND

Retail Cluster	Difference in supermarket demand 2026 (sqm)
Waterloo	-423
East Village	-243
Cleveland Street	-180
Bondi Junction	-180
CBD South - Haymarket	-172
Green Square	-154
North Alexandria	-147
Redfern	-100
Westfield Eastgardens	-97
Tempe/St Peters	-78
Broadway	-71

Source: SGS (2022)

In case law there is an established principle that impacts can only legitimately be considered as planning issues if they affect the viability, role and function of a centre or centres as a whole. Otherwise, impacts on individual retailers or sectors are legitimate planning concerns are where the retailer in question is a centre anchor. For that reason, the results provided above examine only the impact on supermarket turnover. The impact on total centre turnover is provided in the tables below.

TABLE 7: IMPACTS OF PROPOSED SUPERMARKET ON DIFFERENT RETAIL CLUSTERS – TURNOVER

Retail Cluster	Difference in total turnover 2026 (sqm)
Waterloo	-\$4,838,487
East Village	-\$2,657,337
Bondi Junction	-\$2,000,379
Cleveland Street	-\$1,972,585
CBD South - Haymarket	-\$1,880,051
Green Square	-\$1,732,714
North Alexandria	-\$1,617,284
Redfern	-\$1,092,815
Westfield Eastgardens	-\$1,069,310
Broadway	-\$966,262
Eastlakes Shopping Centre	-\$906,340

SOURCE: SGS (2022) TABLE 8: IMPACTS OF PROPOSED SUPERMARKET ON DIFFERENT RETAIL CLUSTERS – TURNOVER

Retail Cluster	Difference in supermarket turnover 2026 (%)
Waterloo Precinct	-5.5%
East Village	-2.8%
Green Square	-1.6%
Waterloo	-1.1%
Redfern	-1.0%
Cleveland Street	-1.0%
Kensington	-0.6%
South Everleigh	-0.6%
Eastlakes Shopping Centre	-0.6%
Sydney Park Village	-0.6%
Bourke Street North	-0.4%

Source: SGS (2022)

This impact test should not be interpreted in isolation. The Green Square and Southern Areas Retail Review provides further strategic guidance that should be considered as part of the assessment of the Planning Proposal which seeks to permit 4,850 square metres of supermarket floor space on site.

Certified



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