deep end services

Economic expert witness statement

Cardinia Planning Scheme Amendment C234
Pakenham East Precinct Structure Plan

Prepared for Parklea Developments Pty Ltd
28 May 2018

Deep End Services
Deep End Services is an economic research and property consulting firm based in Melbourne. It provides a range of services to local and international retailers, property owners and developers including due diligence and market scoping studies, store benchmarking and network planning, site analysis and sales forecasting, market assessments for a variety of land uses, and highest and best use studies.

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28.05.18

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Introduction

1.1 Background

01 I have been instructed in this matter by Minter Ellison, acting on behalf of Parklea Developments Pty Ltd ('Parklea').

02 The matter relates to Amendment C234 to the Cardinia Shire Planning Scheme ('Am C234') which has been prepared by the Victorian Planning Authority ('VPA') to implement the Pakenham East Precinct Structure Plan ('PSP').

03 Am C234 facilitates the use and development of land within the PSP area by introducing the Urban Growth Zone – Schedule 5 ('UGZ5'), adding the Pakenham East PSP as an incorporated document, and making other changes to the planning scheme.

04 Parklea partly owns land and acts as Project Manager for 15 individual properties affected by Am C234, accounting for approximately half of the net developable area of the PSP as a whole, and more than 80% of the net developable area situated to the south of the Princes Highway.

05 Parklea have made submissions to the VPA on various aspects of the exhibited PSP, including in relation to the location of a proposed future government secondary school.

06 The main thrust of the Parklea submission as it concerns the secondary school relates to proper sequencing and synchronisation of development so that longer term infrastructure (including the secondary school) is designated on land likely to be developed later in the sequencing process.

07 A secondary aspect of the Parklea submission on this matter relates to the extent of non-residential land that would be created within the catchment served by the Local Convenience Centre ('LCC') planned in the south-western part of the PSP area, and the implication for the successful operation of the LCC at this location.

1.2 Instructions

08 I have been instructed to examine the issues surrounding the proposed location of the government secondary school, in terms of its effect on the catchment population served by the LCC and the market potential to realise the vision for this centre.

09 In responding to my instructions, I note that I have previously provided internal advice to Parklea in a report titled '*Pakenham East Precinct Structure Plan – Assessment of local convenience centre*' (June 2017).

10 The June 2017 report analysed the development opportunity at the proposed LCC under two alternative versions of the Future Urban Structure ('FUS') plan:

a. A version contained in Cardinia Council's draft PSP of June 2016 which generally resembles the FUS plan in the exhibited PSP; and
b. An alternative version prepared by Mesh Planning on behalf of Parklea which proposes the relocation of the future secondary school and active open space to a location close to the Local Town Centre ('LTC').

11 I have attached the June 2017 report to this statement at Appendix B and rely on the analysis contained in that document.

12 The remainder of my statement summarises the June 2017 report and provides updated analysis to respond to the FUS contained in the exhibited PSP, with comparisons made against a more recent alternative FUS prepared by Mesh Planning.

1.3 Expert witness details

13 The following expert witness details are provided as required in Planning Panels Victoria's *Guide to Expert Evidence.*

Name and address of expert

Matthew Lee
Principal
Deep End Services Pty Ltd
Suite 304 / 9-11 Claremont Street
South Yarra VIC 3141

Expert's qualifications and experience

- Bachelor Degree in Commerce from the University of Melbourne.
- Principal of Deep End Services since April 2012.
- Consultant with Essential Economics from 1997 to 2012.
- Practising urban economist since 1995.

A full CV is included at *Appendix A.*

Expert's area of expertise

- Urban and regional economics including preparation of retail and activity centre strategies and contribution to land use planning studies.
- Market demand analysis for property development including retail, commercial, industrial and residential.
- Input to strategic planning studies including Urban Design Frameworks, Structure Plans and Master Plans.
- Activity centre network planning.

Expert's expertise to make report

- Experienced in urban and regional economic analysis and assessment of the local and regional impacts of property development.
- Thorough understanding of retail land use and development patterns.
- Experienced in preparing and reviewing strategic planning policy as it relates to economic matters.

Instructions that defined the scope of the report

My instructions were received from Minter Ellison as detailed in section 1.2 of this statement.

Facts, matters and assumptions upon which the report proceeds

Stated in relevant sections of this statement.

Documents, materials and literature used in preparing this report

Stated in relevant sections of this statement.

Identity of the person who carried out any tests or experiments relevant to this report

This statement was prepared by myself. The June 2017 report was prepared with assistance from my colleague John Deane.

Summary of the opinions of the expert

1. The proposed centre hierarchy is a sensible response to deliver retail, business and other services to residents within the Pakenham East PSP.
2. The designation of the centre in the south-west part of the PSP as a LCC may downplay its importance in providing local amenity to residents early in the development of the PSP. Consideration should be given to elevating its role to a small LTC, which would be consistent with other approved PSPs.
3. The LCC will serve a somewhat constrained catchment given its location 'within' the PSP, the existing competitive effect of the Cardinia Lakes centre, and the future competition from the LTC within the PSP area.
4. Analysis of retail potential conducted in June 2017, and confirmed by my revised calculations, shows that the LCC will have difficulty in achieving the scale of development envisaged in the PSP, at 4,100 sqm. The supermarket opportunity is also limited to a mid-sized store at best.
5. Small neighbourhood centres such as this are often difficult to develop successfully because of a preference – especially in outer urban communities – to direct a large share of weekly shopping to centres containing a full-line supermarket.
6. The relocation of the possible future government secondary school and part of the Active Open Space facilities would enable a greater amount of residential development to occur within the catchment likely to be served by the LCC.
7. My analysis of June 2017, confirmed in revised calculations made for an alternative FUS plan by Mesh Planning, shows that the retail development potential would be close to the envisaged 'target' of 4,100 sqm if the school were relocated, therefore helping to establish a more successful shopping precinct and provide amenity for early residents within the PSP.

Provisional opinions not fully researched

None.

Questions outside the expert's expertise

None.

Report incompleteness or inaccuracies

None.

2

Pakenham East PSP

2.1 Overview

14 Am C234 applies to approximately 630 ha of land located on the outer eastern fringe of Greater Melbourne. The Urban Growth Boundary forms the northern, eastern and southern edge of the precinct – the area is therefore the 'last' piece of land along the Princes Highway corridor designated for urban development within the contiguous metropolitan area.

15 Land to the north, east and south of the PSP is within the Green Wedge Zone ('GWZ') and predominantly rural in nature, although a rail maintenance depot is located immediately to the south of the Princes Freeway.

16 Land to the west of the PSP and south of Princes Highway is developed for large lot residential properties, and further west contains the Pakenham and District Golf Course.

17 Land to the west of the PSP and north of Princes Highway is developed for the Cardinia Lakes residential estate, which includes a neighbourhood shopping centre anchored by a full-line Coles supermarket and a range of specialty retailers situated on Windermere Boulevard, with a mixed-use commercial-residential development situated opposite.

18 With a total net developable area ('NDA') of 436 ha, the PSP has potential to accommodate 7,150 new dwellings at an overall dwelling yield of approximately 16.4 dwellings per hectare (NDA).

19 The dwelling yield is anticipated to vary across the PSP area, with a higher average yield of 22 dwellings/ha required for land within a walkable catchment of high amenity features and public transport.

20 The overall average dwelling yield of 16.4 dwellings/ha is slightly lower than the typical yield achieved in most recent PSPs, but reflects the position of the PSP at the very outer edge of the metropolitan region, and the constraints associated with interface housing areas along Ryan Road and Mt Ararat Road and adjacent to the transmission easement on the northern edge of the PSP.

21 The total residential population within the PSP at full development is forecast to be between 20,000 residents (at an average 2.8 persons per dwelling) and 22,000 residents (at an average 3.1 persons per dwelling).

22 Around 70% of the available developable land is located between the Princes Highway to the north and the Princes Freeway to the south.

23 The PSP includes several properties on the eastern side of Ryan Road which are in larger-lot subdivisions and face a low density residential precinct that abuts the Pakenham and District Golf Club.

2.2 Planned centres

24 The PSP sets aside land to be developed for two centres within the precinct:

a. A Local Town Centre ('LTC') situated south of Princes Highway and west of Hancocks Gully, positioned to serve the PSP as a whole; and
b. A Local Convenience Centre ('LCC') situated on the northern side of the proposed extension to Canty Lane, which would become a new connector boulevard through the southern part of the PSP, and opposite a proposed government primary school.

25 These centres are anticipated to create a diverse mix of retail and commercial jobs, while delivering a range of goods and services to support residents, workers, visitors and businesses.

26 The LTC is envisaged to contain 9,100 sqm of shop floorspace (refer PSP, Table 4 Town Centre Hierarchy), and is expected to provide "*retail, services, lifestyle, leisure and commercial needs for the surrounding residential catchment*" (PSP, p31).

27 A concept plan for the LTC (PSP, Fig 2) indicates one large anchor retail use, presumably indicating a supermarket, and a smaller one that could accommodate a smaller-format supermarket or a mini-major retail tenant. I note that the background economic report by Tim Nott recommends that the LTC provide for one full-line supermarket and one small or mid-sized supermarket.

28 Principle 1 of Appendix B is to "*provide a full range of local, community and other facilities, including a supermarket, shops, medical and recreation uses*".

29 Under this Principle, one of the application statements is:

> "*Local Convenience Centre [sic] should be planned for neighbourhoods that contain less than 8,000 people and are located more than 1km away from a local town centre or higher order town centre*" (PSP, p82)

30 With regard to the LCC, the PSP provides for a centre of up to 4,100 sqm of shop floorspace, with the role of this centre to "*service the convenience needs to [sic] the local residents and people visiting the school and sporting reserve. Cafés and small offices encouraged. Residential and office uses are encouraged on upper floors*".

31 UGZ5 specifies that the applied zone provisions for land within the LTC and the LCC are the Commercial 1 Zone ('C1Z'), but with a limitation that a planning permit is required for shop floorspace exceeding 9,100 sqm in the case of the LTC and 4,100 sqm in the case of the LCC.

2.3 Background analysis

32 The scale of retail floorspace planned for each centre is supported by retail-economic analysis in a background report by Tim Nott, prepared on behalf of Cardinia Shire in November 2015.

33 In relation to the LCC, the analysis provides support for "*a mid-sized supermarket plus bakery and bottle shop as well as a range of specialty convenience shops – chemist, newsagent, cafés and take-away food, hairdressing etc*" (Tim Nott, p14).

2.4 Commentary on PSP

34 Having reviewed the PSP and the supporting documentation, I make the following comments with respect to the planned centre hierarchy:

1. The provision of one larger centre and one smaller centre is a sensible response to the likely level of demand generated by the residential population at full development.
2. The larger centre close to the centre of the PSP area will have the principal role in providing weekly grocery shopping services and a wider array of other retail, business and community functions. However, this role will only emerge in the longer term when development throughout the PSP is nearing completion.
3. The smaller centre in the south-western part of the PSP will have an important role in providing convenience retail services to the community early on in the development process, especially having regard to the likely sequencing of development. The establishment of a viable and functioning LCC is therefore critical to providing a good level of amenity to incoming residents.
4. The Nott report refers to these centres as larger neighbourhood and smaller neighbourhood centres, and this is consistent with the amount of floorspace designated within each.
5. The designation of the smaller centre as a LCC in the PSP downplays the important role it will have early in the development process, and is inconsistent with the normal designation for centres of this size. In my experience, the LCC designation is normally applied to centres containing only approximately 1,000 sqm or so. Consideration should be given to elevating this centre's role by designating it as a small LTC.
6. It is relevant to acknowledge that both of these centres are relatively close to the existing Cardinia Lakes Shopping Centre, with the LCC within approximately 2km and the LTC within approximately 2¾km. Importantly, the Coles serves a somewhat constrained catchment generally bounded by Kennedy Creek to the west and Deep Creek to the east. The population within this catchment is currently around 9,200 people, and the supermarket relies on incoming

spending from the east which will eventually be diverted to the LTC within Pakenham East PSP. The Coles will continue to provide a competitive supermarket option for people living along Ryan Road, including residents within the PSP area.

7. With supportable floorspace of around 4,000 sqm, the LCC is significantly smaller than the normal neighbourhood centre model. There are few examples of centres of this size being developed successfully within growth areas. As this will become an important provider of retail and other services early in the development of the PSP, every effort should be made to ensure that a viable centre can be created.

3

Summary of June 2017 report

3.1 Introduction

35 This section of my statement presents a summary of the analysis and findings from the report that was prepared on behalf of Parklea in June 2017. The full report is attached as Appendix B to this statement.

36 Note that the subsequent section 4 of my statement presents updated analysis to reflect changes in the FUS contained in the exhibited PSP, and a revised alternative scheme prepared by Mesh Planning on behalf of Parklea.

3.2 Report approach

37 The June 2017 report was undertaken to examine the implication arising from the proposed relocation of the future government secondary school to a site further east, thereby enabling a greater amount of land available for residential development in proximity to the LCC.

38 The broad approach was to compare the catchment population and supportable floorspace under the PSP scenario against a similar calculation undertaken for an alternative scheme prepared by Mesh Planning.

39 For the purposes of the June 2017 report, the PSP scenario was a version of the FUS plan contained in the draft PSP prepared by Cardinia Shire in July 2016. I have attached an excerpt of the southern part of the PSP below as Figure 1.

40 The FUS shown in Figure 1 is generally very similar to the version contained in the exhibited PSP. The differences are:

- The designation of land for the LCC rather than the use of a symbol indicating the general location of the centre (as per the exhibited PSP)
- The designation of land for medium density residential, rather than the application of a walkable catchment indicating where higher average densities need to be achieved

- The nomination of land west of the LCC for medium density housing, rather than for open space as per the exhibited PSP
- The designation of a new local park adjacent to the primary school on the south side of Canty Lane in the exhibited PSP (noting that Parklea submits that this should be removed).

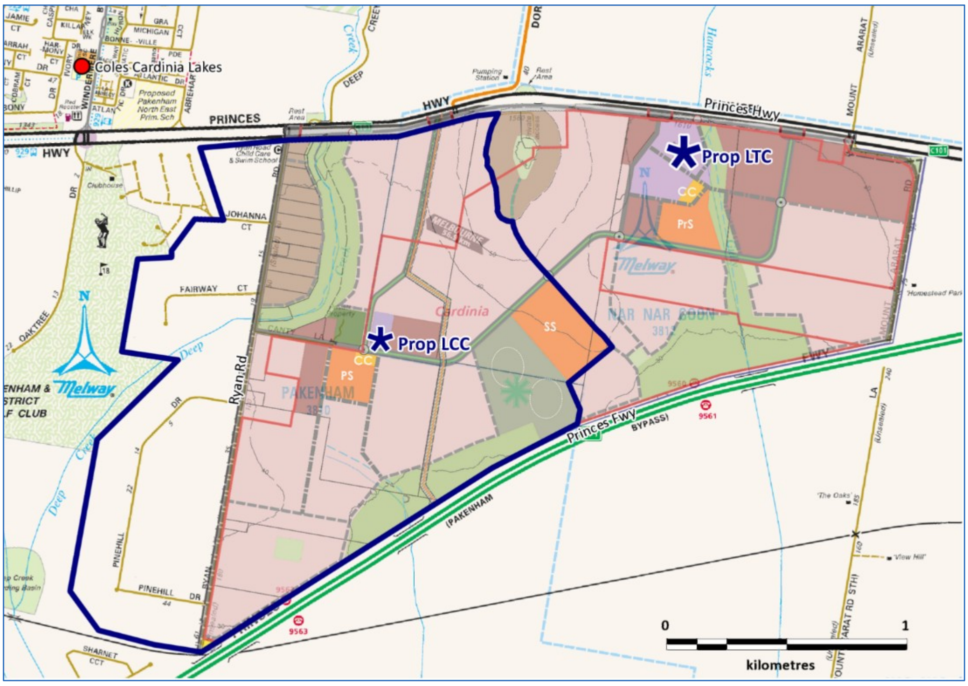


Figure 1—FUS (draft PSP July 2016)

Source: Cardinia Shire Council Meeting 18/7/16 agenda

41 The alternative FUS prepared by Mesh Planning is shown below as Figure 2.

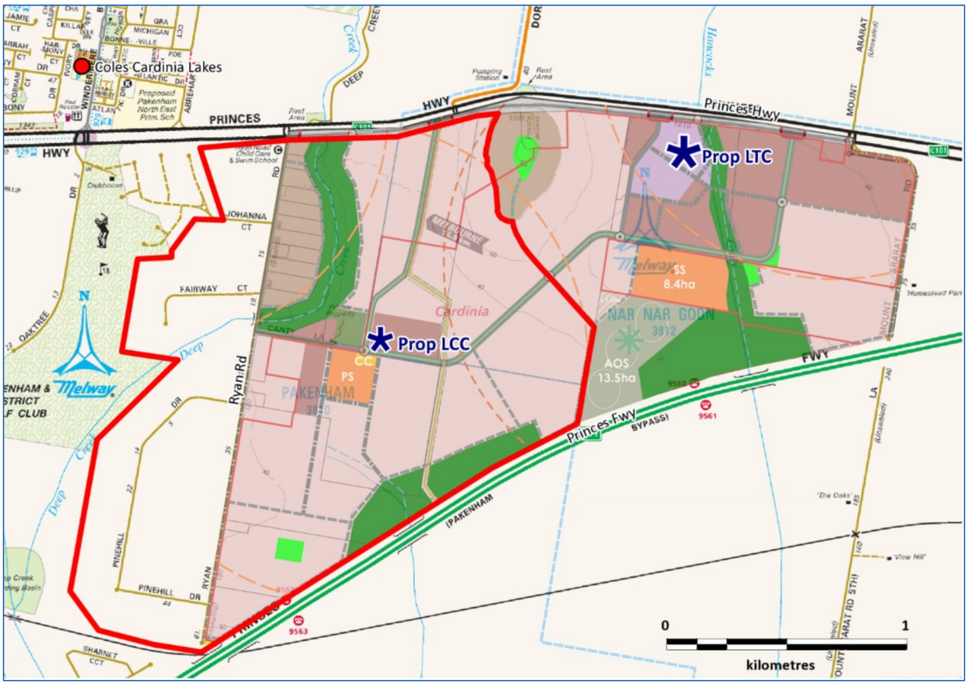


Figure 2—Alternative FUS (as at June 2017)

Source: Mesh Planning

42 For each of the FUS scenarios, a relevant catchment is defined to describe the likely trading influence of the LCC. These catchments are highlighted in Figures 1 and 2 above.

43 The subsequent analysis includes the following steps:

1. Estimate the residential population at capacity by applying relevant dwelling yields – noting that the overall average was an estimated 3.1 persons per dwelling
2. Forecast total retail floorspace demand by multiplying the catchment population by an appropriate average floorspace per capita provision rate
3. Estimate the likely share of floorspace demand retained within the LCC, having regard to the typical share of demand represented at neighbourhood centres, with appropriate modifications to reflect local circumstances
4. Estimate the demand for supermarket floorspace generated by catchment residents based on typical provision rates
5. Forecast the share of supermarket floorspace demand retained locally
6. Account for the potential for the LCC to capture supermarket demand from people who live outside the catchment – including parents dropping children at school, etc.

3.3 Report conclusions

44 A summary of the results of the analysis in the June 2017 report is set out in Table 1.

45 Under the draft PSP scenario, the analysis indicates that supportable floorspace at the LCC would be in the order of 2,050 sqm to 3,100 sqm, accommodating a supermarket of around 1,350 sqm to 2,150 sqm.

46 The retail potential was assessed as being lower than the 4,100 sqm designated in the draft PSP, with potential to accommodate a small to mid-sized supermarket rather than a full-line supermarket.

47 These are difficult types of centres to successfully develop, as family households in outer Melbourne have a strong preference to undertake grocery shopping at larger full-line supermarkets operated by the two major brands. There are few examples of smaller neighbourhood centres of this size having been developed successfully within growth areas.

48 The relocation of the secondary school would lead to an increase in retail potential by around 500 sqm, and an increase in supportable supermarket potential by around 300 sqm.

49 These are acknowledged to be relatively small differences in overall floorspace terms. However, the context is the need to maximise the opportunity to establish a centre to serve residents early on in the development of the PSP, and the fact that small neighbourhood centres are difficult to develop successfully.

50 The maximisation of the catchment population would therefore make an important positive contribution to the establishment of a viable small neighbourhood centre.

Table 1—Summary of June 2017 findings

Source: DES report, June 2017

Item		Scenario 1	Scenario 2
Total retail demand			
Capacity population	(No.)	6,962	8,010
Total retail floorspace provision rate	(sqm/capita)	2.48	2.48
Total retail floorspace demand	(sqm)	17,255	19,855
LCC as % of total retail floorspace required	(%)	12% to 18%	12% to 18%
Pakenham East LCC retail floorspace demand	(sqm)	2,050 sqm to 3,100 sqm	2,400 sqm to 3,550 sqm
Supermarket demand			
Capacity population	(No.)	6,962	8,010
Total supermarket floorspace provision rate	(sqm/capita)	0.39	0.39
Total supermarket floorspace demand	(sqm)	2,685	3,090
Supermarket share within LCC catchment	(%)	40% to 60%	40% to 60%
Supermarket provision from beyond	(%)	20% to 25%	20% to 25%
Pakenham East LCC supermarket floorspace demand	(sqm)	1,350 sqm to 2,150 sqm	1,550 sqm to 2,450 sqm

4

Updated analysis

51 I have reviewed and updated the retail-economic analysis of development potential at the LCC to reflect changes in the FUS that was exhibited with the PSP. This is then compared against a revised alternative FUS prepared by Mesh Planning in which the future secondary school and part of the designated Active Open Space ('AOS') is relocated to be synchronised with development timing across the PSP area.

52 I have adopted the same approach as that used in the June 2017 report, which is described in section 3.2 above.

53 For the two scenarios I have adopted relevant catchment areas likely to be served by the LCC. These change only marginally from those contained in the June 2017 report, with minor modifications to align with roads and property boundaries contained in the revised plans.

54 The catchments are shown in Figure 3 (exhibited FUS) and Figure 4 (Alternative FUS).

55 Within the catchment areas I have measured the net developable area for each property from the PSP land budget table at Appendix 1 of the PSP, and made the required detailed adjustments for properties only partly within the adopted catchment.

56 The residential yield is then calculated by applying the anticipated average dwelling yields contained in the exhibited PSP at Table 3 (p24).

57 Analysis of supportable retail floorspace is undertaken using the same assumptions that were applied in the June 2017 report.

Figure 3—LCC catchment – exhibited FUS

Source: Pakenham East PSP; Deep End Services

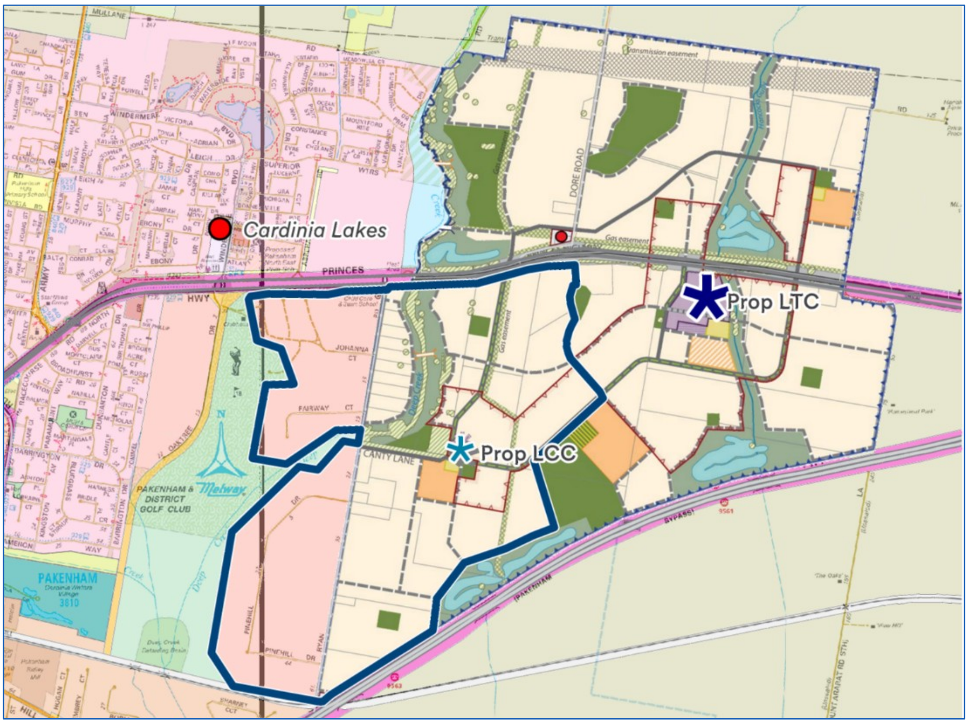
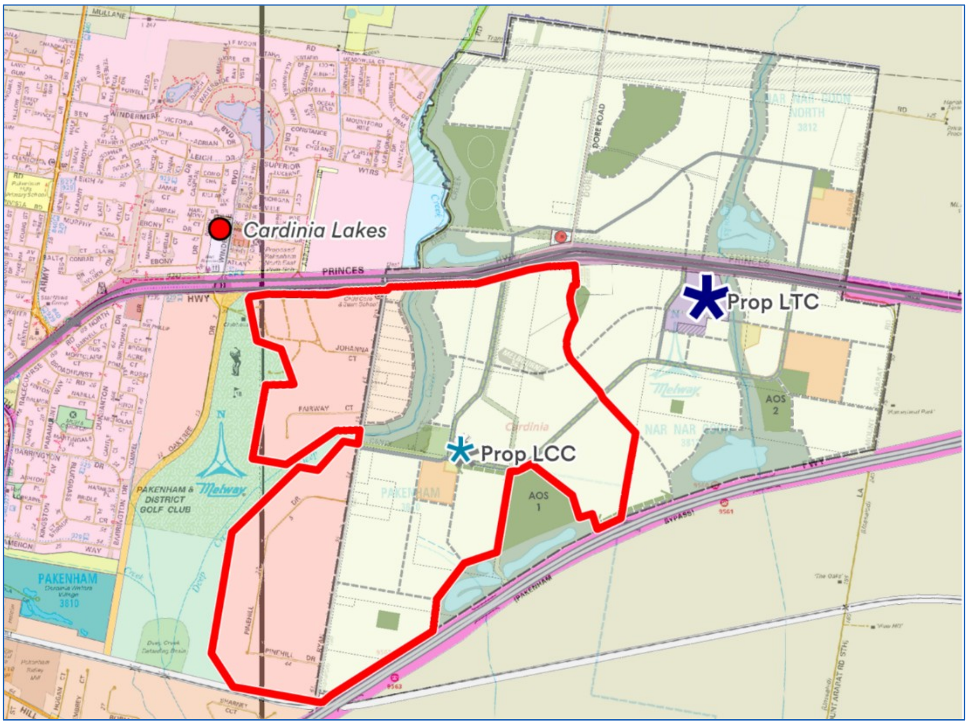


Figure 4—LCC catchment – alternative FUS

Source: Mesh Planning; Deep End Services



58 The results of the analysis are summarised in Table 2, showing that both the exhibited FUS and alternative plan would lead to slightly higher dwelling and population outcomes within each catchment when compared against the analysis of June 2017, as follows:

1. The catchment would contain an estimated 2,564 dwellings under the exhibited FUS, rather than 2,249 dwellings under the draft FUS of July 2016
2. The catchment would contain an estimated 2,813 dwellings under the alternative FUS, rather than 2,585 dwellings under the version prepared in June 2017.

59 With a larger catchment population, both scenarios support slightly higher retail floorspace development at the LCC, by about 400 sqm overall, and by about 200 sqm in terms of the potential size of the supermarket.

60 The revised analysis confirms that there is slightly greater retail development potential if the school and part AOS were to be relocated, because of the larger residential population within its catchment.

61 Importantly, the revised analysis shows that the alternative FUS would support up to 3,920 sqm of retail floorspace, which is close to the planned figure of 4,100 sqm contained in the PSP.

62 While the actual floorspace numbers are relatively small, I repeat my observation that centres such as the proposed LCC are difficult to develop successfully, and the slightly greater retail development potential would help to realise a viable centre that will be important in serving early residents within the PSP.

Table 2—Revised LCC retail economic analysis

Source: Deep End Services; VPA; Mesh Planning

Item		Scenario 1	Scenario 2
Total retail demand			
Catchment residential yield	(lots)	2,564	2,813
Capacity population	(persons)	7,980	8,780
Total retail floorspace provision rate	(sqm/capita)	2.48	2.48
Total retail floorspace demand	(sqm)	19,800	21,750
LCC as % of total retail floorspace required	(%)	12% to 18%	12% to 18%
Pakenham East LCC retail floorspace demand	(sqm)	2,380 sqm to 3,560 sqm	2,610 sqm to 3,920 sqm
Supermarket demand			
Capacity population	(No.)	7,980	8,780
Total supermarket floorspace provision rate	(sqm/capita)	0.39	0.39
Total supermarket floorspace demand	(sqm)	2,980	3,300
Supermarket share within LCC catchment	(%)	40% to 60%	40% to 60%
Supermarket provision from beyond	(%)	20% to 25%	20% to 25%
Pakenham East LCC supermarket floorspace demand	(sqm)	1,490 sqm to 2,380 sqm	1,650 sqm to 2,640 sqm

5

Conclusions

63 My conclusions can be summarised as follows:

1. The proposed centre hierarchy is a sensible response to deliver retail and other services to residents within the Pakenham East PSP.
2. The designation of the centre in the south-west part of the PSP as a LCC may downplay its importance in providing local amenity to residents early in the development of the PSP. Consideration should be given to elevating its role to a small LTC, which would be consistent with other approved PSPs.
3. The LCC will serve a somewhat constrained catchment given its location 'within' the PSP, the existing competitive effect of the Cardinia Lakes centre, and the future competition from the LTC within the PSP area.
4. Analysis of retail potential conducted in June 2017, and confirmed by my revised calculations, shows that the LCC will have difficulty in achieving the scale of development envisaged in the PSP, at 4,100 sqm. The supermarket opportunity is also limited to a mid-sized store.
5. Small neighbourhood centres such as this are often difficult to develop successfully because of the preference – especially in outer urban communities – to direct a larger share of weekly shopping to centres containing a full-line supermarket.
6. The relocation of the possible future government secondary school and part of the designated AOS would enable more residential development to occur within the catchment likely to be served by the LCC.
7. My analysis of June 2017, confirmed in revised calculations conducted for the exhibited FUS, shows that the retail development potential would be close to the envisaged 'target' of 4,100 sqm if the school were relocated, therefore helping to establish a more successful shopping precinct and provide amenity for early residents within the PSP.

64 In arriving at my conclusion, I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have, to my knowledge, been withheld from the Panel.

Matthew Lee
Principal, Deep End Services

28 May 2018

Appendix A Curriculum vitae for Matthew Lee

Current Position:	Principal, Deep End Services Pty Ltd April 2012 - current
Previous Positions:	Director, Essential Economics Pty Ltd March 2011 - March 2012
	Senior Associate, Essential Economics Pty Ltd January 2004 - March 2011
	Senior Economist, Essential Economics Pty Ltd September 1997 - January 2004
	Economist, Henshall Hansen Associates May 1995 - September 1997
Academic Qualifications:	Bachelor of Commerce (Economics) University of Melbourne (1994)
Skills / Attributes:	Extensive experience in urban and regional economic assessment, industry sector analysis and property market evaluation throughout Australia. Range of experience includes:

- Market assessments for retail, commercial, industrial and residential property development
- Demand assessments for a wide range of allied uses including childcare centres and retirement villages
- Economic impact assessments to accompany planning applications
- Expert witness representation
- Retail studies and demand evaluation
- Economic input to master plans, structure plans
- Economic analysis for growth area planning and structure plan preparation
- Local and regional economic effects for environmental impact assessments
- Economic assessments for major infrastructure projects.

Professional Experience

Principal, Deep End Services (April 2012 - current)

Matthew joined Deep End Services in April 2012 to assist clients with a common requirement - the need to quantify the effects of the location of their business or property on sales, profitability, growth and income. "DEEP" represents three core service areas:

- Demand Evaluation
- Economics
- Planning

Within each of these three areas, Deep End Services provides consulting advice to retailers, property owners, property developers and others such as financial institutions, infrastructure providers and industry associations. The products offered include:

- Store network planning and sales forecasting
- Acquisition due diligence
- Feasibility analysis
- Economic impact assessment

Deep End's property clients include:

- Amcor, AMP, Australand, Brookfield Multiplex, Cbus Property, Charter Hall Retail REIT, Federation Centres, Harvey Norman, Home Consortium, ISPT, Lend Lease, MAB Corporation, Macquarie Bank, Mirvac, Orica, Ouson Group, Pellicano, Places Victoria, Stockland, Walker Corporation and Westfield

Deep End's retail clients include:

- ALDI, About Life, Anaconda, Baby Bunting, Beacon Lighting, City Farmers, Clark Rubber, Coles, Costco, Harris Scarfe, Masters, Noni B Group, Pacific Brands, Pet Barn, Quick Service Restaurant Holdings, Spotlight, The Good Guys, Trade Secret, Urban Purveyor and Woolworths

Deep End's other clients include:

- ANZ, Crescendo Partners, InterContinental Hotels Group, KPMG, Large Format Retail Association, Medibank Private, Melbourne Racing Club, Newcastle Permanent Building Society and Reading Entertainment

Essential Economics (September 1997 - March 2012)

Matt was employed with Essential Economics from its formation in 1997 until March 2012, where he held senior management roles. During that time, he undertook a wide range of projects across all property types, but with a strong focus on the retail sector.

Matt's project experience includes:

- site feasibility analysis and development evaluation
- market demand analysis
- economic impact studies
- market research
- highest and best use analysis
- input to masterplans and other planning-related studies
- economic impact assessments for major infrastructure projects and environmental impact assessments
- policy advice for state and local governments.

Private sector clients have included property developers and owners such as MAB, Mirvac, Stockland and AMP; and retailers such as Costco, Bunnings and ALDI.

Matt's policy work has been undertaken for a wide range of clients in local government and state government agencies and government authorities. Examples include the Department of Planning and Community Development (VIC), Department of Business and Innovation (VIC), Growth Areas Authority (VIC), Department of Planning and Local Government (SA), VicRoads and Places Victoria. Project experience has included:

- activity centre strategies
- input to growth area structure plans
- input to urban framework plans, masterplans, etc
- economic development strategies
- tourism studies
- economic profiles.

Appendix B Assessment of local convenience centre, 9 June 2017

Pakenham East Precinct Structure Plan

Assessment of local convenience centre

Prepared for:
Parklea Developments

9 June 2017

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Project Code	DP1704
Date	9 June 2017

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Figures

Tables

1. INTRODUCTION

1.1 Background

This report has been prepared on behalf of Parklea Developments as input to the finalisation of the Pakenham East Precinct Structure Plan ('PSP'), and provides analysis of the development opportunity at the proposed Local Convenience Centre ('LCC') situated in the south-western part of the PSP area.

The draft PSP provides support for a centre of up to 4,100 sqm of shop uses at the LCC, including a small to medium sized supermarket of up to 3,000 sqm.

Two alternative layout schemes have been prepared for consideration, and for each scenario an analysis of supportable retail development is presented in this report.

1.2 Project brief

The project brief specifies the following tasks:

- Identify a catchment likely to be served by an LCC;
- Estimate the population capacity within the identified catchment based on the area of land identified for residential development, calculation of 'net developable area – residential' and application of appropriate lot yields;
- For each scenario, estimate the supportable floorspace (total retail and supermarket) at the LCC based on typical retail demand rates (sqm per capita) and benchmark data on the amount of retail demand retained at smaller neighbourhood centres with supermarkets of up to 3,000 sqm;
- Include a discussion on whether the proposed alterations to the PSP land use layout would assist in establishing a viable role for the LCC and improve sales performance; and
- Provide advice on the likelihood of attracting a major full-line supermarket operator and the scale and range of non-supermarket retailers that would be appropriate for such a location.

1.3 Assumptions

Lot capacity within the Pakenham East PSP is based on the land budget data contained within the PSP documentation.

Other data sources and assumptions are identified in the body of this report.

2. REGIONAL CONTEXT

2.1 Cardinia Shire

Pakenham is a satellite city within the Cardinia Urban Growth Area, 56 km south-east of Melbourne's CBD.

The Cardinia Urban Growth Area (refer *Figure 1*) has long been planned as one of Melbourne's major growth fronts, and was extended to include the Pakenham East Precinct in September 2012 through the "Logical Inclusions" process.

The growth area consists of a number of structure plans at varying stages of delivery. PSPs have been completed for Beaconsfield, Cardinia Road, Officer and Pakenham.

The Cardinia Shire is one of Melbourne's fastest growing regions. It has a current population of approximately 96,000 people and has experienced annual growth close to 5% per annum, more than double the growth rate for the Melbourne metropolitan area. Although the growth rate is forecast to ease to in the future, it is anticipated that the population will exceed 160,000 by 2031, resulting in almost 70,000 people being added over the next 15 years at an average of 4,400 people per annum.

Population growth in the short term will be concentrated at Officer, then moving to Pakenham East in the medium term.

2.2 Pakenham township

The core retail facilities serving Pakenham are concentrated in the Pakenham Town Centre, where three major supermarkets anchor a broad range of retail services (refer *Figure 2*). Pakenham Place is a sub-regional centre anchored by Target, Coles and an older free-standing Safeway. Strip-shopping (including a Ritchies IGA) and commercial offices are evident along Main Street. Pakenham Marketplace, located north of Main Street, was developed in 2011 and is anchored by Big W and Woolworths.

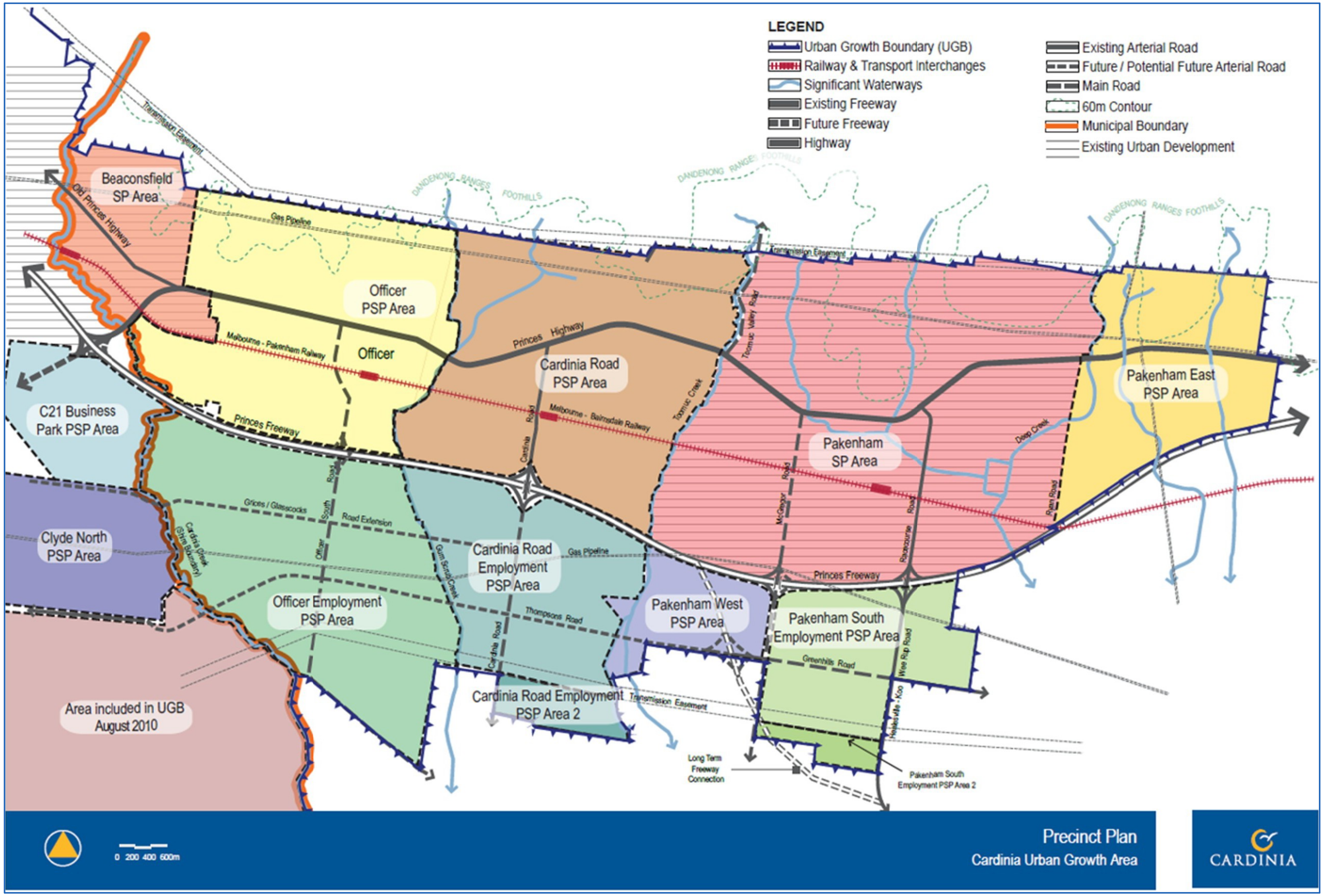
The former Pakenham Racecourse site, east of the Town Centre, is being developed with over 500 dwellings and a mixed-use precinct at Pakenham Station.

Outside the Town Centre, there are six other major supermarkets across Pakenham. Three have opened in recent years at Lakeside Square (Woolworths) and Arena (Woolworths) in Officer and at Cardinia Lakes (Coles) to the east, all in small neighbourhood centres.

Cardinia Lakes is the closest retail development to the Pakenham East PSP and comprises 4,280 sqm of retail floorspace, including a 3,200 sqm Coles. The centre contains 10 specialty shops.

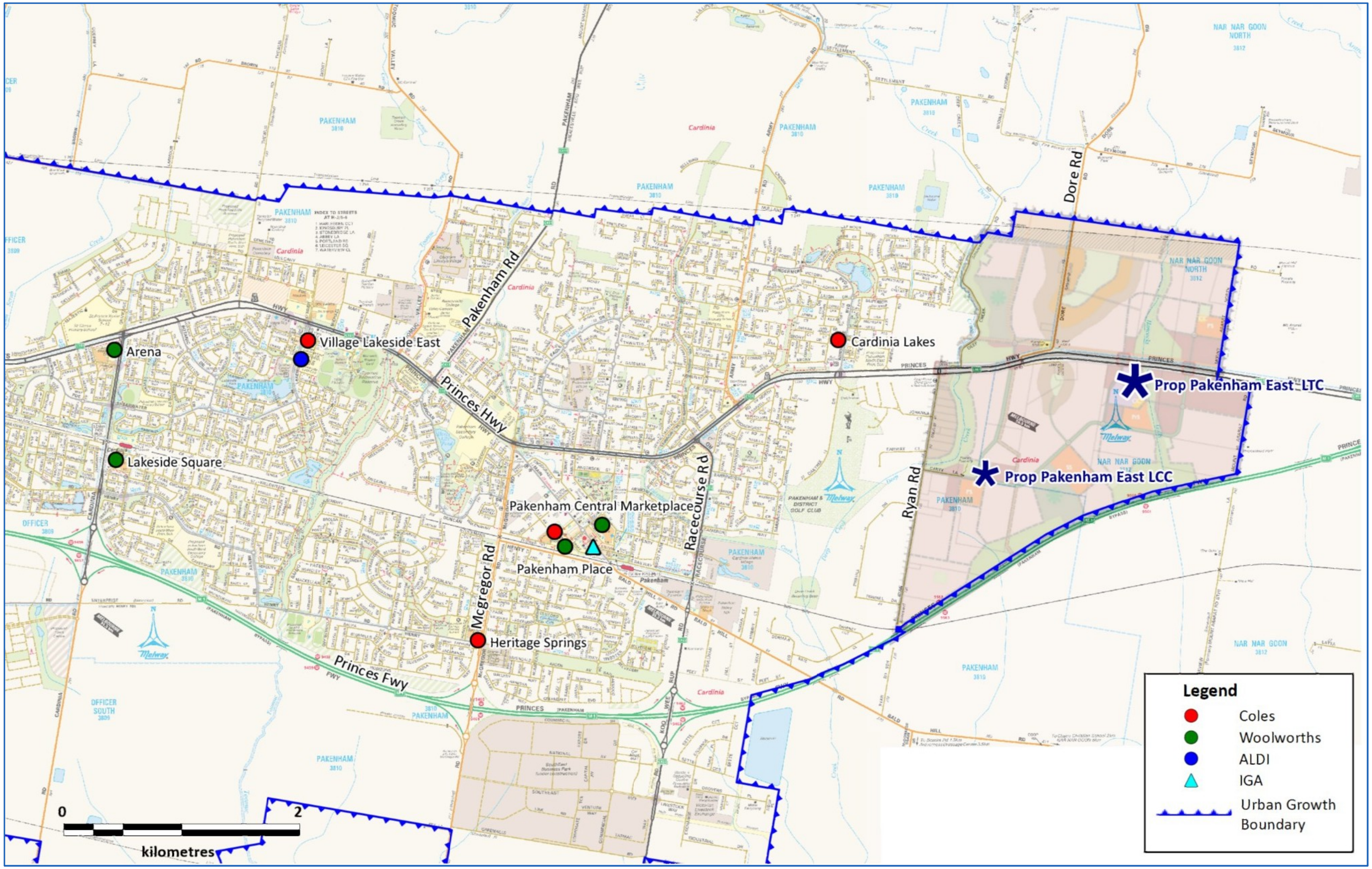
As residential growth continues around the Pakenham township, retail demand is expected to increase, with a requirement for additional facilities to service the expanding population.

Figure 1: Cardinia Shire



Source: Cardinia Shire

Figure 2: Regional context



Source: Deep End Services; Cardinia Shire; MapInfo

3. PAKENHAM EAST PSP BACKGROUND

3.1 Overview

The Pakenham East PSP is currently being prepared by Council to apply to land east of Pakenham, between Ryan Road and Mount Ararat Road and from the Princes Freeway northwards to the electricity transmission easement.

The PSP consists of 636 ha of land including an estimated 402 ha of Net Developable Area (NDA). According to the draft PSP, at full development the area will comprise 6,000 dwellings and have a residential population of around 16,000 people. This calculation is based on an average density of 15 dwellings per hectare of NDA and an average household size of 2.7 persons.

Residential development is to take the form of a diverse range of densities:

- Medium density (25 dwellings per ha)
- Standard density (15 dwellings per ha)
- Low density (10 dwellings per ha)
- Large lot (7 dwellings per ha).

A draft Future Urban Structure is shown as Figure 3.

Figure 3: Pakenham East PSP – Future Urban Structure

Source: Deep End Services; Cardinia Shire

3.2 Pakenham East PSP – southern part

The Land Use Budget indicates that more than 70% of total NDA, or 4,267 lots, are to be located in the precinct south of the Princes Highway. The relevant properties are overlayed and numbered on the map in *Figure 4*.

Given the substantial proportion of residential development proposed in the southern part of the PSP, two retail centres are nominated between Princes Highway and the Princes Freeway:

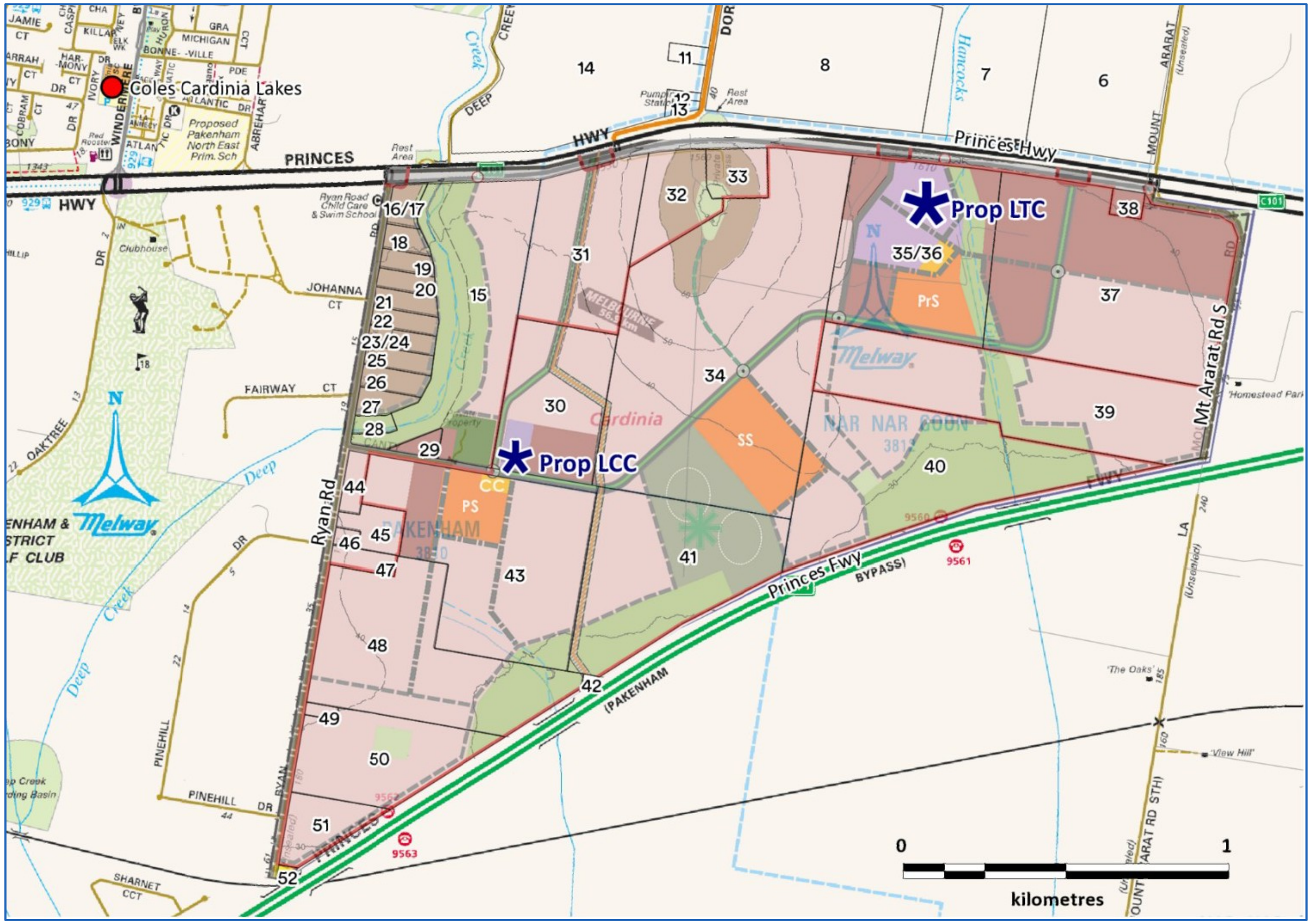
- A Local Town Centre (LTC), with frontage to Princes Highway which would also serve the northern part of the PSP; and
- A Local Convenience Centre (LCC) in the south-western sector with a more localised catchment.

The LTC is envisaged to become the main location for weekly grocery shopping with shop development of up to 9,100 sqm allowed as-of-right. The draft PSP makes reference to 'supermarkets' and it is likely that multiple brands will be developed in this location given the attributes of the site and the size of the centre.

The smaller LCC (subject site) is located approximately 1.5km south of the Princes Highway and has provision for 4,100 sqm of shop floorspace as-of-right. The concept plan for the site indicates provision for a supermarket of up to 3,000 sqm and states that it "must be sleeved with retail uses along the Connector Street Boulevard."

The applied zoning for both centres would be Commercial 1 to facilitate the as-of-right shop floorspace.

Figure 4: Pakenham East PSP (south)



Source: Deep End Services; Cardinia Shire; MapInfo

4. PAKENHAM LCC RETAIL ANALYSIS

4.1 Scenario 1 catchment

Two land use layout scenarios are analysed in this report.

Scenario 1 reflects the draft PSP and is presented in *Figure 5* to the right. In this scenario, the proposed secondary school and associated active open space is located approximately mid-way between the LCC and the LTC along a main connector road.

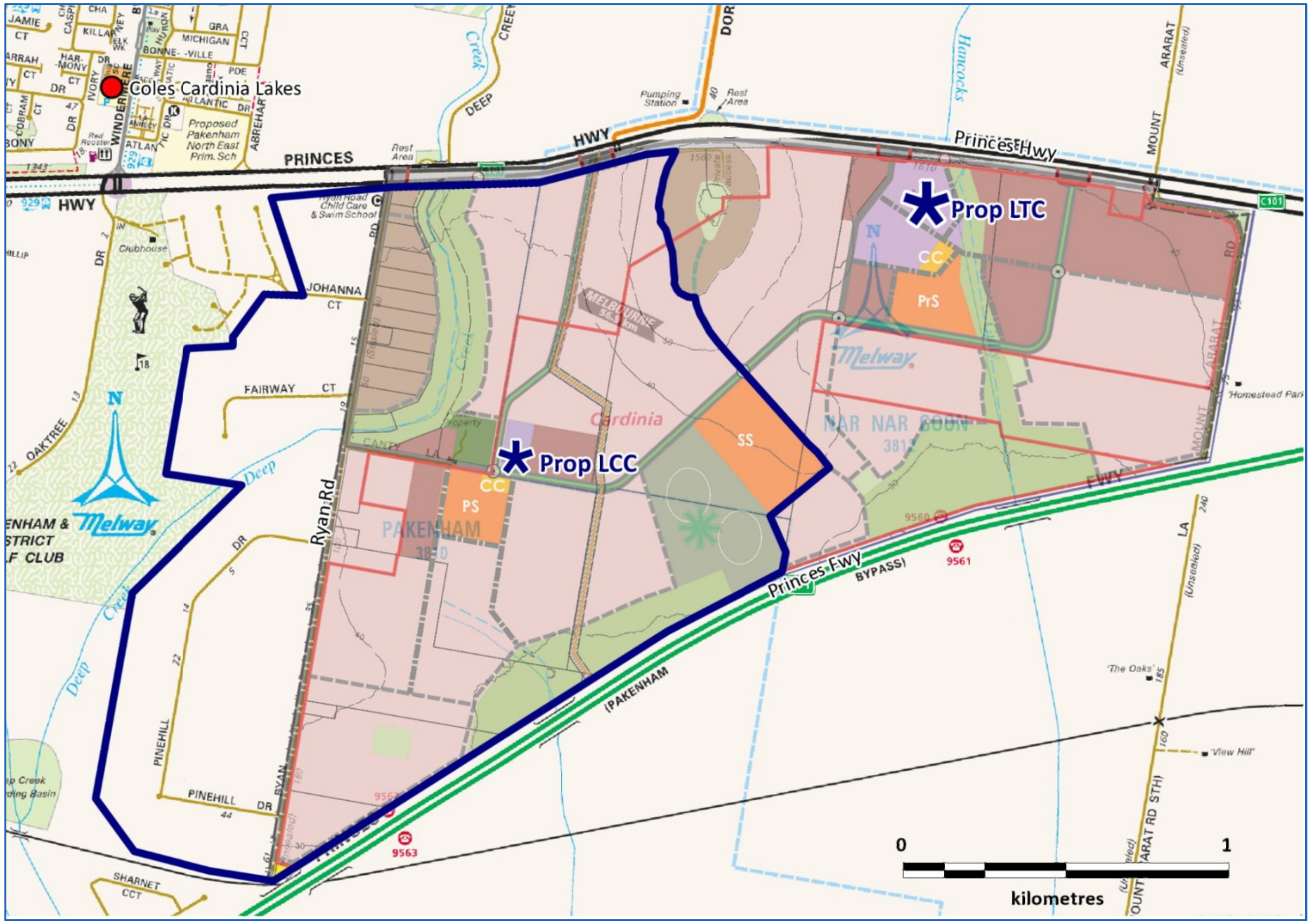
Under this scenario the catchment served by the LCC is shown outlined in dark blue and has been defined on the basis of:

- The proposed surrounding local road network;
- Access to residential areas beyond the PSP; and
- Location of the proposed LTC.

The catchment extends approximately mid-way to the proposed LTC, north to Princes Highway and south to Princes Freeway. There would be a significant degree of overlap between this catchment and he more extensive one served by the larger retail provision within the LTC, but this is normal when considering the different roles and scale of each centre.

An area to the west of Ryans Road, outside the PSP, is also included due to its proximity and anticipated access to the LCC. This area's extent is limited to the west by the location of the Pakenham Golf Club and Deep Creek.

Figure 5: LCC catchment – Scenario 1



Source: Deep End Services; Cardinia Shire; MapInfo

Scenario 2

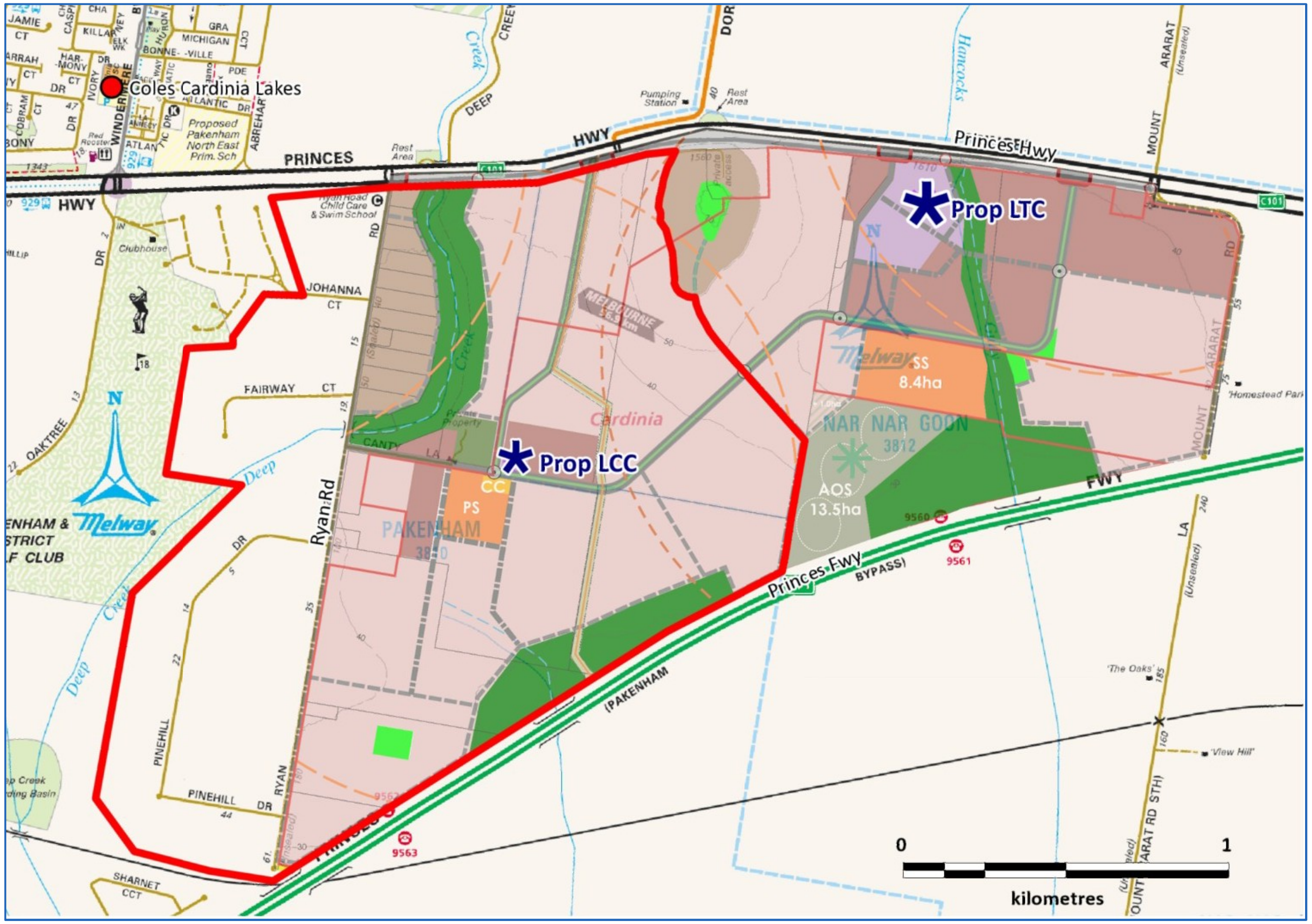
Scenario 2 is a revised layout scheme the secondary school and active open space is relocated to a consolidated position close to the LTC (refer *Figure 6*). The integration of these facilities is intended to generate synergies in terms of infrastructure provision, activity generation and support for LTC service provision.

The relocated Secondary School would replace land proposed for a possible future private school campus.

The revised scheme also reduces the area for the LCC from approximately 1ha to 0.5ha.

The catchment definition is fundamentally the same as under Scenario 1 (as shown outlined in red in Figure 6), but includes a greater area of residential land to the east of the LCC. This adjustment acknowledges unimpeded access to the standard density residential area in this location.

Figure 6: LCC catchment – Scenario 2



Source: Deep End Services; Cardinia Shire; MapInfo

4.2 Dwelling forecasts

Capacity dwelling forecasts for the catchment under each scenario have been derived using:

- The Pakenham East PSP's detailed land use budget for Scenario 1;
- Deep End Services' adjustment on the basis of the proposed revision to the land use configuration (Scenario 2); and
- The PSP targets for Standard, Medium, Low and Large Lot densities as outlined in Section 3.1.

The resulting dwelling capacity forecasts for the catchment areas are as follows:

Scenario 1:	2,249 dwellings
Scenario 2:	2,585 dwellings

The difference in dwelling yield is due to additional land available for residential development with the relocation of the secondary school and open space.

4.3 Population forecasts

Population forecasts are derived from applying an average household size to the number of dwellings within the catchment.

The draft PSP applies an average household size of 2.7 persons per dwelling across the PSP as a whole.

Population projections prepared by id. consulting on behalf of Cardinia Shire indicate that the Pakenham East PSP area will have an average of 3.0 persons per private dwelling.

The forecasts used to determine retail demand are based on applying differential average household sizes for each type of housing, with an overall average of 3.0 persons per dwelling as per the id forecasts.

With the inclusion of larger households to the west of the PSP area, the overall average is 3.1 persons per dwelling, with the resulting peak population forecasts for the respective catchment areas as follows:

Scenario 1 :	6,960 people
Scenario 2:	8,010 people

4.4 Retail demand analysis

Analysis of supportable retail floorspace provision has been calculated by forecasting total average per capita retail provision, applying it to the population at capacity and then estimating (on the basis of established benchmarks) the share that might be retained locally.

Relevant parameters used in calculating the amount of supportable retail floorspace at the Pakenham East LCC include the following:

- Average demand for retail floorspace is approximately 2.32 sqm per capita as at June 2016 and is expected to increase at 0.5% per year in line with past trends
- Development within the catchment is assumed to be completed by around 2028/29, which is the year for which the analysis has been undertaken
- For new centre provision in Melbourne's growth areas, around 25% to 30% of retail floorspace demand is usually retained within neighbourhood centres where they are anchored by full-line supermarkets
- The LCC is planned to be anchored by a smaller supermarket module of up to 3,000 sqm, reflecting the under-sized catchment compared with the typical 10,000 persons or more served by full-line supermarkets
- The potential to retain retail demand locally would also be lower if the LTC were to attract both of the major full-line supermarket operators
- On this basis the share of retail demand retained at the LCC is estimated at 12-18%.

4.5 Supermarket floorspace

A separate analysis has been undertaken to establish the supportable supermarket floorspace that could be developed at the LCC.

This analysis is based on a similar provision rate approach and includes the following parameters:

- Demand for supermarket floorspace is estimated at 0.35 sqm/capita in 2016 which is the current average supermarket provision rate for growth area LGAs
- Supermarket demand is growing at a faster rate that total retail demand, reflecting increasing competition in the sector, and is forecast to increase at 0.75% per year
- Retention of supermarket demand within the LCC catchment is estimated to be within the range 50-60%, reflecting the competitive influence of the LTC (and presence of major brand operators), the extent to which catchments are likely to overlap, and the likely travel patterns to work, schools and other activities
- An additional 20-25% of local supermarket demand would be supported from people who live outside the catchment visiting the area because of the local primary school and other reasons.

4.6 Analysis of supportable floorspace

The results of the analysis are shown in the tables overleaf (refer *Table 1* for Scenario 1 and *Table 2* for Scenario 2).

Under Scenario 1, total retail floorspace demand supportable at the LCC is estimated to be in the order of 2,050 sqm to 3,100 sqm at full capacity. This is below the indicative 4,100 sqm set out in the draft PSP.

Supportable supermarket floorspace is estimated at 1,350 sqm to 2,150 sqm, less than the 3,000 sqm indicated in the draft PSP.

Under Scenario 2, total retail floorspace demand supportable at the LCC is estimated to be slightly higher, at 2,400 sqm to 3,550 sqm.

A supermarket of approximately 1,550 sqm to 2,450 sqm would be supportable under the revised urban layout.

4.7 Conclusions

The proposed relocation of the secondary school and open space would create a larger catchment population served by the LCC, with the catchment increasing by around 1,000 residents.

However, the size of the catchment population under Scenario 2, at 8,000 residents, is still less than the typical benchmark to support a full-line supermarket.

This is borne out in more detailed demand analysis which indicates that the urban layout under the draft PSP would be able to support a supermarket of approximately 1,350 sqm to 2,150 sqm within a total centre of up to 3,100 sqm.

The additional population base under the revised layout would support up to around 2,450 sqm of supermarket floorspace within a centre of 3,550 sqm.

Overall, this analysis provides support for the provision of a mid-sized supermarket at the LCC, accompanied by a small range of specialty retailing.

Table 1: Retail demand analysis

Total retail demand		Scenario 1	Scenario 2
Capacity population	(No.)	6,962	8,010
Total retail floorspace provision rate	(sqm/capita)	2.48	2.48
Total retail floorspace demand	(sqm)	17,255	19,855
LCC as % of total retail floorspace required	(%)	12% to 18%	12% to 18%
Pakenham East LCC retail floorspace demand	(sqm)	2,050 sqm to 3,100 sqm	2,400 sqm to 3,550 sqm

Table 2: Supermarket demand analysis

Supermarket demand		Scenario 1	Scenario 2
Capacity population	(No.)	6,962	8,010
Total supermarket floorspace provision rate	(sqm/capita)	0.39	0.39
Total supermarket floorspace demand	(sqm)	2,685	3,090
Supermarket share within LCC catchment	(%)	40% to 60%	40% to 60%
Supermarket provision from beyond	(%)	20% to 25%	20% to 25%
Pakenham East LCC supermarket floorspace demand	(sqm)	1,350 sqm to 2,150 sqm	1,550 sqm to 2,450 sqm

5. LCC – POTENTIAL DEVELOPMENT OUTCOMES

5.1 PSP concept plan

The concept plan for the LCC (refer *Figure 7*) shows a supermarket of up to 3,000 sqm, with specialty retail sleeved around a local connector road. A vegetation reserve and passive open space adjoins the LCC to the west while a Primary school is located immediately opposite on the south side of the connector street, co-located with a community facility. Medium density residential adjoins the LCC and is also located to its west and south-west.

5.2 Revised urban layout

The land uses surrounding the LCC are unchanged under the revised scheme, but the secondary school and open space that was positioned half-way to the LTC has been moved closer to that centre to achieve better integrated development outcomes.

The effect of the revised scheme is to increase the size of the residential catchment likely to be served by the LCC by around 1,000 persons. This would have a positive effect on the ability to develop a larger and more successful LCC in the south-western part of the PSP by increasing the local demand for retail provision.

The relocation of the secondary school would also provide additional support for the LTC as the larger centre offering a wider range of land uses. Importantly, integrating land uses such as education facilities, shops, community services and other businesses provides better opportunities to deliver high quality urban design outcomes supporting cafés, restaurants and other amenities.

5.3 Indicative LCC components

The retail demand analysis in Section 4 shows that under Scenario 2 a supermarket of between 1,550 sqm and 2,450 sqm would be supportable at the LCC, having regard to its likely catchment and other proposed retail facilities in the PSP.

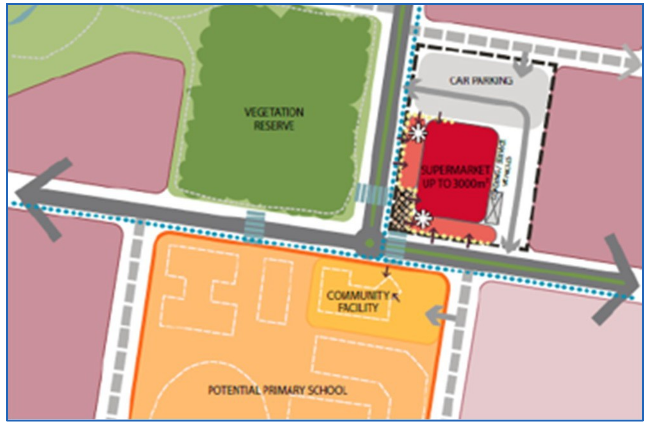
It is unlikely that this store would be operated by Coles or Woolworths given the existing Coles at Cardinia Lakes and the potential inclusion of two full-line supermarkets at the LTC. A strong independent operator would therefore represent the best opportunity to sustain a local retail function.

A mid-sized supermarket of this scale would support the inclusion of around 600 sqm to 800 sqm of other retail specialty floorspace, consisting of around 5-8 shops with a combination of shop and other retail uses (eg food & drink). These tenants would be typical convenience retailers such as take away food, café, hairdresser, bakery, and possibly a newsagency and/or chemist.

The proposed revisions to the future urban structure will be important to create a sufficiently large catchment base to help sustain the supermarket and other retail uses.

In addition to these retail uses, a range of non-retail uses could include a medical centre and/or childcare facilities.

Figure 7: LCC concept plan – Pakenham East PSP



Source: Cardinia Shire