

**Proposed Target Shop, Kawana
Preliminary Needs Assessment**

Prepared for Sunshine Coast Regional Council

February 2013



TABLE OF CONTENTS

INTRODUCTION	i
1 APPLICATION	1
2 PROPOSED USE	3
3 MARKET DEMAND	4
4 IMPACTS	9
5 OTHER BENEFITS/CONCLUSIONS.....	11

INTRODUCTION

This report presents a preliminary review of the need for a Target discount department store at Home Central Kawana on the Sunshine Coast. Sunshine Coast Regional Council has received an application to convert an existing showroom tenancy to a shop use at Home Central Kawana. A shop use is inconsistent within the subject development.

This report covers the following key topics:

- Whether there is a strong market demand and a community need for the development in the short term?
- Whether the short term need is an important consideration, as the applicant considers, and that Council should allow the non-preferred development to occur until the Kawana Town Centre is established?
- The impacts of the development on the existing and planned retail hierarchy?
- Whether the proposal will negate the future need of identified centres?
- Will the approval delay the development of the Kawana Town Centre?
- Will the application increase the likelihood of other shop uses wanting to establish in the homemaker centre?
- Are there other benefits associated with the proposal?

1 APPLICATION

- i. Home Central Kawana is located along Kawana Way opposite the intersection with Capital Place on the Sunshine Coast in Queensland. Some of the major tenants of the centre include Spotlight, Anaconda, Mountain Designs, Godfreys, Kathmandu, Fantastic Furniture, Trade Secret and the like.
- ii. DFS Group, on behalf of the applicants JV Property Management, have lodged a development application for a Material Change of Use for a proposed shop to be allowed within Home Central Kawana up until the Kawana Town Centre is established. The proposed shop is 2,011 sq.m of GFA, although the application proposes up to 3,200 sq.m to be used as shop, and will be located within Building 2 at the southern end of Home Central Kawana complex. A Target discount department store is the intended tenant.
- iii. The 7.065 hectare site known as Home Central Kawana allows for the establishment of showrooms and restaurants, with shops being an inconsistent use. The definition of shop is as follows:

“Shop means premises used or intended for the purposes of displaying or offering for sale, goods to the members of the public, including ancillary storage, administration and staff facilities on the same premises. The term includes:

- a. *Bank*
- b. *Building society*
- c. *Credit union*
- d. *Finance company agency*
- e. *Real estate agency*
- f. *Totalisator administration board agency*

g. Travel agency; and

h. Bottle shop licensed under the Liquor Act 1992 having a gross floor area of less than 300 sq.m.

The term does not include an adult product shop, commercial premises, food outlet, restaurant, service station, showroom or warehouse.”

iv. The application did not contain an Economic Impact Assessment or Needs Assessment and this report presents our preliminary views to inform part of Council’s consideration of the application.

2 PROPOSED USE

- i. Section 2.3.2 of the DFS Group application entitled “*Development Control Plan 1 – Kawana Waters*” under the heading of *Comment* indicates that they consider the proposed Target department store as a generally consistent use for the precinct as it would be a retail land use which requires a large floor area to operate. It is stated that a Target store, in addition to clothing items, sells a variety of items including bulky goods such as electrical, appliances and children’s play equipment, etc. which would otherwise be found in a showroom.
- ii. In response, however, a typical Target store is in the order of 6,000 – 7,000 sq.m, and consequently contain a large variety of goods. The proposal for a Target discount department store at 2,100 sq.m would commonly be considered a Target urban store or a Target Country store. These types of stores include a much more limited range of goods, primarily around clothing and smaller homewares items. A much more limited, if any, number of bulky items such as electrical appliances and children’s play equipment are provided in these stores.
- iii. Consequently, the size of the Target store means that it would only have limited, if any, showroom style goods within its operation. The Urban by Target store offers the best of ladieswear, footwear, accessories, intimate apparel, kidswear and babywear plus a select range of menswear. The average store size is 2,000 sq.m or less with three stores currently operating at Chapel Street in Prahran and Flemington in Melbourne and Pasadena Shopping Centre in Adelaide.

3 MARKET DEMAND

- i. The advice from Herbert Greer Lawyers to Council in relation to the application, at Point 10, states that the owner of the homemaker centre is planning to continue to lodge a further development application to provide more flexible lease arrangements for the future leasing of tenancies within the homemaker centre, and is struggling to obtain full occupancy of the homemaker centre utilising solely showrooms. In particular, Herbert Greer Lawyers understand the desired tenancies include a pharmacy warehouse and a Crazy Clarks style cheap disposable goods outlet, both of which would be a shop rather than a showroom.
- ii. The above statement indicates that the demand for showroom facilities and the ability to lease the space at Home Central Kawana could be described as difficult.
- iii. Further, at Section 2.4 of the application, it is stated that the proposal offers much needed economic benefits to the local Caloundra area by way of employment opportunities at a time when many businesses are facing a range of competing threats. It is stated that there are an increasing number of retail tenancy vacancies across the Sunshine Coast, resulting from diminishing disposable incomes, the threats from online shopping and the general downturn of the local economy brought about by the GFC associated impacts.
- iv. In light of the comments from the owner's application, the actual need for the development is not necessarily pressing, but is more a solution to fill existing vacant space. Further, there are a number of other potential sites where a Target store could locate in the southern portion of the Sunshine Coast in existing or planned appropriate retail zoned areas.
- v. Map 3.1 illustrates major discount department store facilities and supermarkets throughout the Sunshine Coast including highlighting Target at Sunshine Plaza in the Maroochydore Town Centre. Other potential locations for Target in the next few years include:

- Kawana Shoppingworld is expanding by 9,000 sq.m including a number of mini-major tenancies. A full-sized Target store was previously proposed as part of this expansion, however, Target could operate a smaller sized store of 1,500 – 2,000 sq.m in one of the new tenancies at the centre. Construction of this development commenced on 14th January 2003.
 - Stockland have an existing application to expand the Stockland Caloundra centre in the Town Centre. Mini-majors are proposed as part of this site and potentially Target could be one of these tenants.
 - Approval has been given for the development of a discount department store based centre at Sippy Downs to be anchored by Big W and Woolworths. It is possible that a mini-major tenancy the size of a Target as proposed at Home Central Kawana could locate at this site.
 - The most obvious alternative is Kawana Town Centre when it is developed.
 - Further away on the Sunshine Coast, a Target store is also proposed at Beerwah as part of a new development.
- vi. From the above, although they may not be immediately available, there are certainly opportunities where Target has been in discussions to locate at alternative zoned retail sites and may be located over the next 1 – 3 years. The Home Central Kawana site would offer a cheaper rent compared with a new store at a traditional retail centre, and may be more financially attractive to Target, however, this does not present the case that there is a lack of opportunity to fill a potential identified need for Target to operate in the southern part of the Sunshine Coast.
- vii. The applicants expressed the view that the Target store could be a temporary use until such time as the Kawana Town Centre is developed. Map 3.1 illustrates the area which would be served by the Target store at Home Central Kawana, taking into account the existing, much larger Target store servicing areas to the north around Maroochydore. This area has been defined to include a primary sector, including the coastal areas extending from Currimundi through to Kawana, and a secondary sector

including areas to the south of Currimundi including Caloundra and surrounding suburbs, south to Pelican Waters.

- viii. This trade area population could be served by Target at a number of locations such as Kawana Shoppingworld, Caloundra Town Centre and Kawana Town Centre, irrespective of this application. The idea of Target as a temporary use at Kawana Town Centre is not logical solution as it is not the only centre which can accommodate this store. If Kawana Town Centre is developed in a longer timeframe than 5 years, as indicated by the applicant, then it would be logical to assume that Target would want to remain at Home Central Kawana. Other centres, however, are planned and will expand in that timeframe to fulfil the need for a store like Target.
- ix. Table 3.1 details population levels in this catchment, which clearly indicates that the area is growing and, consequently, there will be demand for further retail facilities. However, with planned developments as detailed above, and with the majority of population growth in the secondary sector at Caloundra South where further retail facilities are proposed, it is difficult to imagine in this environment the need for short term shop uses within Home Central Kawana, particularly a Target store on a temporary basis, until Kawana Town Centre is developed. This is further reinforced by the identified difficulties in leasing retail floorspace identified by the applicants.

MAP 3.1 – TARGET KAWANA TRADE AREA

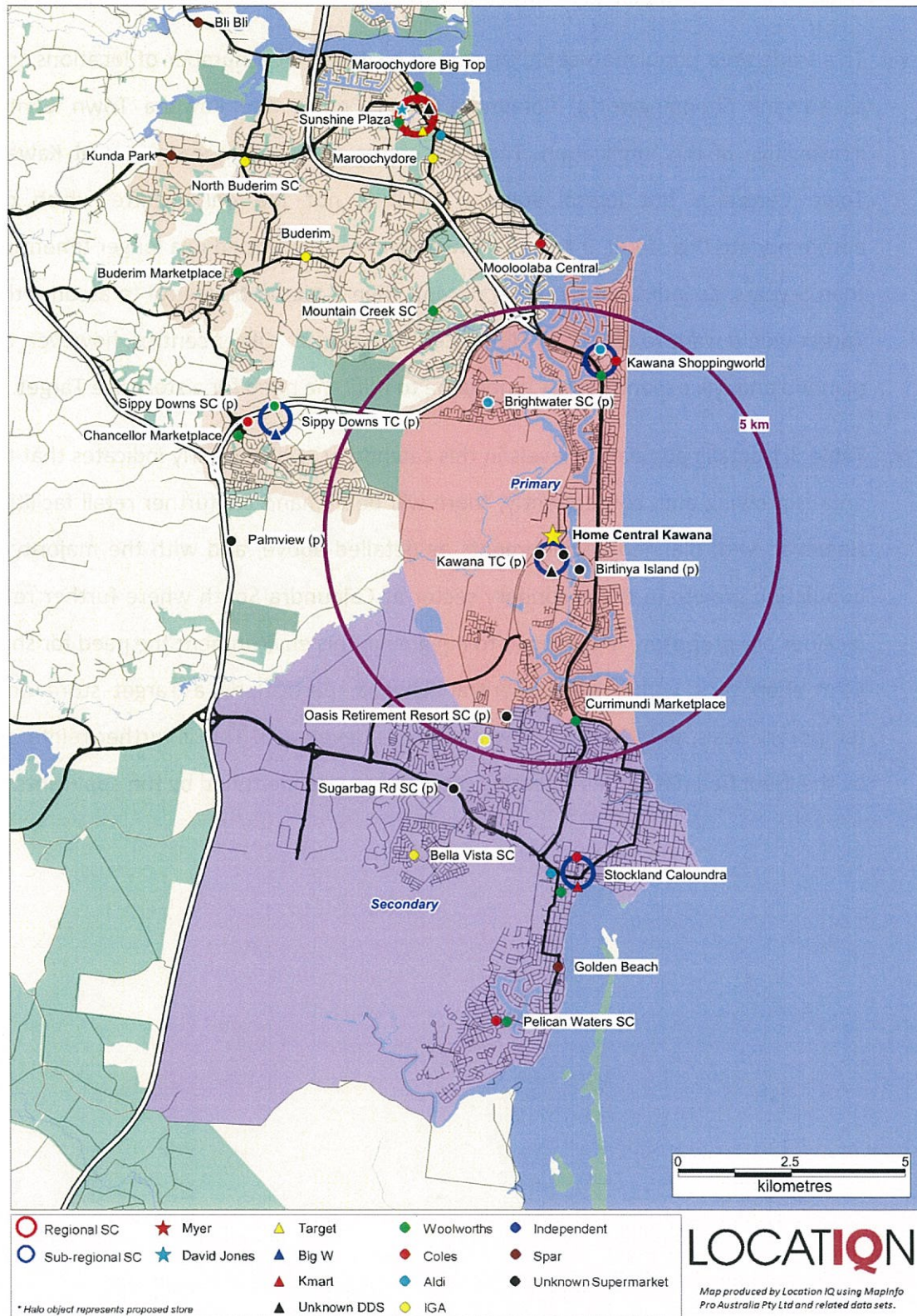


TABLE 3.1 – TRADE AREA POPULATION

Trade Area Sector	Estimated Resident Population			Forecast Population		
	2006	2011	2013	2016	2021	2026
Primary Sector	26,980	30,830	32,270	34,370	37,820	40,870
Secondary Sector	<u>37,480</u>	<u>43,440</u>	<u>46,060</u>	<u>51,790</u>	<u>65,240</u>	<u>84,090</u>
Main Trade Area	64,460	74,270	78,330	86,160	103,060	124,960
Average Annual Change (No.)						
		2006-2011	2011-2013	2013-2016	2016-2021	2021-2026
Primary Sector		770	720	700	690	610
Secondary Sector		<u>1,192</u>	<u>1,310</u>	<u>2,710</u>	<u>2,690</u>	<u>3,770</u>
Main Trade Area		1,962	2,030	3,410	3,380	4,380
Average Annual Change (%)						
		2006-2011	2011-2013	2013-2016	2016-2021	2021-2026
Primary Sector		2.7%	2.3%	2.1%	1.9%	1.6%
Secondary Sector		<u>3.0%</u>	<u>3.0%</u>	<u>4.0%</u>	<u>4.7%</u>	<u>5.2%</u>
Main Trade Area		2.9%	2.7%	3.2%	3.6%	3.9%
<i>Australian Average</i>		1.5%	1.5%	1.4%	1.3%	1.2%
<p><i>All figures as at June</i> <i>All figures are based on 2011 SA1 boundary definition with the exception of 2006 which is based on 2006 CCD boundary definition. 2006 and 2011 ERP is calculated using 2011 enumeration factor.</i> <i>Sources : ABS; QLD OESR</i></p>						

4 IMPACTS

- i. The danger with approving Target at Home Central Kawana is not that it will have significant impacts on other centres in dollar terms as a small sized Target would also achieve between \$5 - \$6 million. At \$5 - \$6 million in sales, spread across a number of centres, the economic impact on any individual centre would be less than 2% whereas impacts of greater than 10% are only typically considered significant and worth consideration.
- ii. The impact on the hierarchy throughout the Sunshine Coast, therefore, would be minimal in terms of financial viability.
- iii. The real impact from our point of view is that it may encourage other shop uses to then apply for space at Home Central Kawana (or other bulky goods/showroom centres) as has been identified already in relation to a pharmacy and a discount variety store. These would also be tenants who would be targeted for the Kawana Town Centre. Given the importance of a vibrant retail centre for the future of Kawana, it is our view that need to be rezoning elements of a homemaker centre to retail in the short term would be of detriment to the potential trading of Kawana Town Centre.
- iv. Although the approval of Target is unlikely to delay the development of supermarkets and some specialty shops at Kawana Town Centre, a discount department store is likely to prove critical to the development of this centre and this approval, if it proceeds, may impact on the ability to lease non-food specialty stores if Target does not choose to relocate to the subject site.
- v. For example, it is possible that if a discount department store is included at Kawana Town Centre, that a Kmart discount department store or Big W could be the future tenant. In this case, Target may not wish to relocate from its proposed tenancy at Home Central Kawana, resulting in a split of retail floorspace.
- vi. Similarly, if Target is a temporary use at Home Central Kawana, they may not locate at Caloundra or Kawana Shoppingworld where there are potential opportunities.

Overall, our key concern is that approval of Target Home Central Kawana will result in other applications and the cumulative impact of a number of applications rather than one single application has potential impacts. The most likely of these impacts is that if a number of retail uses are approved at Home Central Kawana, this may delay the development of Kawana Town Centre.

- vii. Further, once retailers are established at Home Central Kawana, they may well argue it would be uneconomic or unviable for them to relocate to Kawana Town Centre once it is established. This viability would relate existing shop fit outs, higher rents and other costs which would be involved in a relocation.

5 OTHER BENEFITS/CONCLUSIONS

- i. In terms of other benefits, obviously the leasing of retail space and creating a more vibrant Home Central Kawana would be of benefit to the owners of the centre and to other retailers within that centre. In our view, however, this is offset by the potential impacts on the future retail provision at the Kawana Town Centre and elsewhere on the Sunshine Coast and the precedent of a Target discount department store operating in a showroom centre.
- ii. Consequently, the development will not impact on the hierarchy of centres, or detrimentally affect the future viability of any other retail centre. It, however, does set a precedent for traditional retail uses to locate on showroom zoned sites on the Sunshine Coast. This would have implications across a range of different sites throughout the Sunshine Coast and this cumulatively may impact on the hierarchy over time.
- iii. In light of the potential opportunities for Target at other planned centres including Kawana Shoppingworld, Stockland Caloundra and eventually at Kawana Town Centre, it is our view that there is no need in the short term for Target to be located as part of the showroom facility at Home Central Kawana.