



15 September 2016

Harvest Property
c/- Mr Stuart Bishop
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Dear Stuart

NORTH BUDERIM – RESPONSE TO ECONOMIC ASSOCIATES SUBMISSION

MacroPlan Dimasi (MPD) prepared an Economic Impact Assessment (EIA) dated July 2015, for a proposed retail development at North Buderim, with Application Number MCU 15/0192. Since this application was submitted, Sunshine Coast Council issued an Information Request dated 14 October 2015, requesting additional information in relation to several matters, including economics.

The application has since been placed on public exhibition, and submissions have been received, including one economics related submission from Economic Associates (EA), which essentially entails a peer review of the MacroPlan Dimasi EIA and the correspondence in relation to the information request that relates to economic matters.

The EA submission has been prepared on behalf of the owners of the IGA anchored North Buderim Shopping Centre, adjacent to the proposed North Buderim development which is the subject of MCU 15/0192.

We note that since the MCU application and associated EIA was submitted, and the request for information was issued by Council, the applicant has reduced the size of the supermarket from 3,906 sq.m to 3,688 sq.m, while some minor additional specialty floorspace has been added, resulting in a net reduction of 98 sq.m.

Section 1: Economic Associates Peer Review of MPD EIA

EA critiques each key section of the MPD EIA in detail, although only a few of the issues raised are non-trivial and material in relation to differences in the overall conclusions reached by EA and MPD.

Some of these criticisms are inaccurate, misleading, unfounded and are not trivial, while others have some basis, but are trivial and are of little consequence to the overall picture.

We have summarised each of the key issues of the EA review below in Table 1.1.

Table 1.1 Economic Associates Peer Review - Key issues	
Issue	Relevance
Population growth	Non-issue. Current gap for supermarket facilities is significant.
Dwelling approvals	Non-issue. Relates to future growth in population. There is a current gap for supermarket facilities.
Trade area definition	Non-trivial issue. EA does not agree that secondary sector should be included.
Socio-demographics	Non-issue. EA suggest socio-demographics lead to lower demand for retail. Expenditure and demand for supermarket facilities is relatively inelastic to income.
Retail expenditure	Non-issue. EA considers its 'in house' expenditure model to be more accurate than MarketInfo, which is an industry accepted data source and is generally accepted by approval authorities/Councils/ Government.
Gap for supermarket sq.m	Non-trivial issue. Gap estimated by EA is influenced by removal of secondary sector.
Demand for speciality not demonstrated	Non-issue. If it is demonstrated that full scale supermarket facilities can be sustained, then supporting speciality retail is appropriate.
Market share analysis	Non-issue. The independent market share analysis in the EA report is irrelevant. EA note that the supermarket market shares from the primary and secondary sectors in the MPD report are the same. This is because the secondary sector does not face the same level of competition as does the primary sector - where parts of the primary sector are actually closer to contestable centres.
Impact analysis	Non-trivial issue. EA disagrees with the logic of the MPD impacts analysis and provides its own assessment of impacts, which vary significantly from the MPD analysis.

Source: MacroPlan Dimasi

Trade area definition

The trade area in the MPD EIA includes a primary sector and a secondary sector, the latter which generally includes the area around Kiels Mountain, Diddillabah and Rosemount. MacroPlan Dimasi has more than 30 years' experience working with supermarket retailers, shopping centre owners/developers and transactional data providers such as Quantum (which can accurately map trade areas based on actual transaction data). The MPD trade area has been defined having regard to this expertise and typical methods/standards for large supermarket. EA contends that the trade area defined in the MPD EIA should only consist of the primary sector, noting that EA represent the owners of the small IGA anchored North Buderim SC.

The contention made by EA regarding this particular issue is non-trivial and impacts the final conclusions in the EA report and consequent differences with the MPD EIA. Essentially, the narrow view that EA takes in relation to the extent of the trade area results in an approximate 20% reduction in the total population of the trade area.

A primary sector would be the relevant area for the current provision of retail within the North Buderim Local Centre (and the adjacent Kuluin centre). Due to the small scale 'top-up' shop role and function of the IGA, these residents would likely be avoiding North Buderim at present. Residents in the secondary sector would most likely be travelling to Nambour or to the Maroochydore CBD to access full-scale supermarket facilities which are non-existent at North Buderim at present, and indeed, within the trade area.

The proposed development would include a large supermarket of 3,688 sq.m (revised from 3,906 sq.m), which would become the closest large supermarket for a large part of the secondary sector area. From the intersection of Mango Vale Ct and Diddillabah Road it is 7km to the subject site, whereas it is around 8.5km to Nambour.

The MPD EIA defined trade area is appropriate for the proposed development, and the subsequent combined offer that would be present in North Buderim, which the applicant proposes should receive a higher centre designation (i.e. Local (Full Service) Centre).

Population growth

EA contends that population growth estimates in the MPD EIA are over-stated. EA has no real issues with the estimate of current population (i.e. for the year 2015). **Generally, the contentions made by EA regarding this particular issue are trivial and are not material in the broader context of the final conclusions in the EA report and MPD EIA.** This is because there is a significant existing market gap for supermarket facilities within the trade area based on the current population. The proposed development is not reliant on future growth to be justified, although it will serve future residents who may move to the trade area.

Since our report was prepared in September 2015, updated official estimated resident population (ERP) data have been released for the year to June 2015 (at the SA1 level). Our population estimates for year to June 2015 are entirely consistent with the official ABS ERP, i.e. the 2015 primary sector population is around 8,360 and the secondary sector population is around 2,270, totalling 10,630.

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MPD adopts a methodology of forecasting population using the official QLD Population and Information Forecast Unit (PIFU) projections, which are produced at the SA2 area of geography. We apply future growth to the trade area based on the share of the SA2 population that falls within the trade area. Applying this method results in the growth projections outlined in our report. We note that not all growth is predicated on a new dwelling being constructed.

That said, as indicated in the EA report on Pg. 19 in Table 3.6, the difference in population projections between EA and MPD only becomes material over 10 – 15 years. At 2018, i.e. the estimated first year of trade and the year in which impacts are estimated, there is only a very minor difference in the primary sector population estimates between EA and MPD, of around 447 persons (about 5%), which would equate to supermarket floorspace demand of around 160 – 180 sq.m. The difference is inconsequential, particularly given the applicant has since reduced the size of the supermarket by 218 sq.m.

Furthermore, the support for large supermarket facilities at the North Buderim subject site is not reliant on future demand. While new large supermarket facilities would help to service future residents within the trade area, the analysis in the MPD EIA clearly shows that there is a significant existing market gap at present, based off the existing population. Even using primary sector population and the conservative assumptions presented in the EA report, there is a current market gap for supermarket facilities of more than 100% the size of the existing IGA supermarket at North Buderim.

Supermarket floorspace market gap

EA and MPD EIA arrive at significantly different estimates of supermarket floorspace demand and subsequently, the supermarket market gap. **The contentions made by EA regarding this particular issue are not trivial and are material in the broader context of the final conclusions in the EA report and MPD EIA.**

The MPD EIA demonstrates there to be significant market gap for supermarket floorspace across the trade area. Indeed, the MPD EIA estimates the total supermarket floorspace market demand generated by the population across the MPD defined main trade area to be around 4,918 sq.m in 2015, equating to a prevailing market gap, or “net leakage” of 3,818 sq.m.

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Clearly, the significant majority of this floorspace demand is “escaping/leaking” to supermarket facilities located beyond the main trade area. We do not necessarily suggest that all supermarket expenditure would be or should be retained, were the proposed development to proceed. There would be some inflow of demand, or beyond trade area expenditure, captured by the IGA at North Buderim, which means the level of escape expenditure would indeed be greater than 3,818 sq.m.

We note that EA refers to a lettable area for the IGA at North Buderim of 1,330 sq.m. MPD has relied on a figure of 1,100 sq.m which was sourced from a physical inspection of the facility using a laser measurement device. The difference of 230 sq.m is inconsequential, particular given the applicant has since reduced the size of the supermarket by 218 sq.m.

EA estimates supermarket floorspace demand of 2,812 sq.m in 2015, equivalent to a prevailing market gap of 1,400 – 1,500 sq.m at present – which is more than 100% the size of the existing IGA at North Buderim.

Even on EA’s estimates, which are based off an expenditure market about half the size of MPDs – due to a smaller trade area definition and lower estimated spend per person (based on its ‘in house’ expenditure model) – its analysis presented on Table 3.10 shows that existing supply of supermarket floorspace at the subject site is equivalent to around 47% of the current estimated demand. This means that, even relying on the EA estimates, more than 50% of primary sector demand ‘escapes’ from the primary sector, or, the existing IGA supermarket is over-trading, and would therefore be able to absorb impacts comfortably.

In regards to retail expenditure, EA uses the ABS Household Expenditure Survey (HES) from 2009 and makes adjustments at the small area level as part of its ‘in house’ expenditure model to determine the size of the available retail expenditure market. MPD relies on MarketInfo produced by Market Data Systems (MDS), which is an industry accepted expenditure data source relied on by major retailers, shopping centre owners/developers and retail consultants and is generally accepted by approval authorities, Councils/Government and planning and environment courts.

In the Council information request, the question was asked: *Is there a need not being met?* In this context, it is unquestionable that there is a significant under-provision of supermarket facilities within the primary sector and main trade area overall and there is a need that is not being met in a convenient manner.

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In the Council information request, the question was asked: *Are residents at a disadvantage?* A lack of appropriately located supermarket floorspace within the main trade area means that main trade area residents are at a disadvantage relative to many other residents across the Sunshine Coast, and this also leads to negative externalities for all residents in the form of traffic congestion and its associated impacts (pollution, noise, safety etc).

Another way to ask the above two questions would be: *Does the community within the main trade area deserve to be prevented better access to convenient supermarket facilities, or should they continue to be denied this opportunity?* The logic behind preventing such access, in light of the compelling evidence, would only be to protect the commercial interests of incumbent retailers in North Buderim, as the provision of local services would be improved significantly and the community would be better off.

EA recommends that its estimated market gap of 1,400 – 1,500 sq.m could be taken up by another small operator, such as Foodworks. This recommendation demonstrates EA's lack of understanding of the practical realities of supermarket shopper behaviour, and the function of particular supermarket operators/formats.

Duplicating another small, top-up shop at the site would do very little to help retain escape supermarket expenditure, as this expenditure would generally be in the form of leakage to large supermarkets and/or Aldi supermarkets beyond the trade area. Another small top-up shopping supermarket would in all likelihood result in greater cannibalisation of business from the IGA at North Buderim, with only very minor improvements in retained expenditure.

Impact analysis

EA provides a critique of the MPD EIA impact analysis in sub-section 3.8.2 of its report and then provides its own impacts analysis in sub-section 3.8.3, based on its own estimates of likely sales performance of the proposed development and its own assumptions regarding the likely distribution of impacts on the surrounding centres hierarchy.

In relation the MPD EIA, EA attempts to discredit MPD by suggesting that there are mistakes in the arithmetic in Table 5.2 of the MPD EIA. This is just plain incorrect. Furthermore, in trying to take some type of superior position in reviewing the MPD EIA, EA has incorrectly interpreted information from Table 5.2 and then incorrectly replicated

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Table 5.2, while trying to replicate it accurately. This, in our view, reduces the credibility of the EA report considerably.

On pg. 30 of the EA report, EA has replicated Table 5.2 at the top of the page incorrectly, then replicated Table 5.2 at the bottom of the page using a different sales estimate of \$40.4 million compared with \$40.3 million, as per the MPD EIA. EA then highlight, so called, mistakes, when really they are very minor differences in a percentage that have arisen because EA has used a different sales estimate to that in the MPD EIA.

Notwithstanding the above, EA's analysis concurs with the MPD EIA for the larger centres across the surrounding region (i.e. Maroochydore CBD and Buderim District Centre), in that EA agrees impacts will be minor/acceptable. EA estimates impacts on Buderim of just 7.1% and on the Maroochydore CBD of 0.5%.

However, EA generally contends that the impacts on the closest centres within the North Buderim trade area (i.e. the IGA North Buderim, Kuluin, Lakeshore etc) should be much greater than those modelled in the MPD EIA. Furthermore, EA contend that the impacts on the smaller centres, beyond the North Buderim trade area, should be much higher.

EA contends that impacts on Maroochy Waters would be above 50% and on the Mill Road Local Centre (labelled as IGA Buderim on Map 2.1 in the MPD EIA) would be around 18%. This analysis shows EA's lack of understanding of supermarket shopping behaviours. These small centres would be barely used by residents of the North Buderim main trade area, and if they are, it would only be for incidental shopping trips (i.e. a purchase because someone is in the locality), rather than dedicated, repeat grocery shopping trips. In this context, those types of trips would not really be redirected/impacted by new supermarket facilities at North Buderim.

Furthermore, within the North Buderim local centre itself, EA estimates impacts on the nearby centres of Kuluin and the IGA North Buderim centre would be significant, in the order of 23% and 50%, respectively. Assuming that the proposed development is developed, the impacts within the North Buderim centre itself (i.e. on the IGA North Buderim centre) should be considered irrelevant in the context of the overall centres hierarchy. The proposed development would provide additional services within the established North Buderim Local Centre, a centre with a designation that would be elevated to a Local (Full Service) Centre.

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That said, because of the distinct difference in offer between a large Woolworths supermarket and the existing small IGA supermarket at North Buderim, we do not expect the scale/percentage impact on the existing IGA North Buderim centre to be anywhere near the level that EA contends. Typically, the greatest impacts (in aggregate terms) from a new large supermarket development are absorbed by the surrounding network of similar brand/sized supermarkets (i.e. large Woolworths stores, then large Coles stores).

Even on EA's own analysis there is significant market gap in the primary sector. The MPD EIA shows there to be a significant market gap across the broader main trade area. In this context, the existing IGA supermarket is either trading at average levels, which means there would be significant escape expenditure from the trade area, or it is over-trading and could therefore absorb impacts more readily.

On our estimates of supermarket expenditure, if the IGA at North Buderim is trading at average levels of around \$9,000 per sq.m, or so, then it would likely only be retaining in the order of 20% of available supermarket business from the main trade area population, meaning that 80% of the supermarket business generated by the main trade area population is presently not being directed to that store.

The proposed supermarket development at North Buderim will rely considerably on the 75 – 80% of supermarket escape expenditure.

The impacts on the Kuluin centre would be very minor, due to the completely different nature of that centre, which contains just a handful of specialty retail shops and some non-retail uses. The estimate of 23% is over-stated, and probably reflects an assumption regard a direct commercial trading impact on the McDonalds from possible fast-food/take-away specialty retail proposed as part of the North Buderim development.

Section 2: Council Information Request

The EA report reiterates the responses that MPD made to the Council information request in relation to economics. We do not consider it necessary to respond to all of the counter arguments put forward by EA, given that we have already provided responses to each of Councils questions and given the arguments we have provided in Section 1 and section 3 of this letter.

However, we do note that Council did not really have any issues in relation to impacts within the North Buderim centre itself. The questions that were raised were:

Is there a need not being met?

Are residents at a disadvantage?

Will the proposal duplicate services?

Will the location become a primary shopping destination?

The third point about duplication of services alludes to the proposal needing to have regard to the existing provision of retail services in the North Buderim centre, however, in our view preventing particular services from being duplicated is anti-competitive and is not a valid planning reason for preventing a development. The key issue is whether the community would be better off as a result of the additional services, and whether any adverse effects would be manageable and any loss of services are significantly improved as a result of a new development. That said, the existing IGA supermarket is small scale and provides a limited offer. The provision of a more comprehensive supermarket at the subject site would not be duplicating the offer at present, it would be providing a deeper range of products that the community does not presently have access to.

The main issue we inferred from the information request, and as outlined by EA on Pg. 34 of its report, was the issue that Maroochydore already has an “over-provision” of supermarket facilities and that the applicant needs to demonstrate that a market gap for a major supermarket exists while allowing for this over-provision.

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Over-provision is very relative term. The reason why there are several supermarkets in Maroochydore is because it is a high density residential/tourism/ commercial location and the Principal Activity Centre on the Sunshine Coast. The centre serves the entire Sunshine Coast population and there would be times when people utilise the supermarket facilities as part of a higher order trip to Maroochydore, as part of a daily work trip, a visit to the beach, or a visit to restaurants/cinemas etc.

With that background, the total provision of supermarket floorspace within the Maroochydore CBD is not an issue when considering the concept of the market gap for large supermarket facilities in the main trade area, although the inconvenient nature of this provision is relevant. The smaller than average, congested and over-trading Woolworths at Buderim is also relevant. In this context, there is a clear market gap for large supermarket facilities in the North Buderim main trade area.

Section 3. Summary findings/concluding comments

In summary, the EA report suggests that the proposed development “*would undermine and threaten the viability of the existing centres hierarchy, particularly the existing North Buderim Shopping Centre...*” The EA reports suggests that the MPD EIA has failed to demonstrate:

- **There is a need for the proposed centre:** This is not correct. EA significantly downplays the inclusion of the secondary sector. EA forms a view that only the primary sector is relevant based on the intended role and function of the centre as a local centre. The proposition of the development is to provide a large supermarket, which would be accompanied by an elevation in the centre’s status to a Local (Full Service) Centre. In this context, the centre would trade to a much larger trade area, including the secondary sector.
- Based on EA’s own (conservative) analysis using the primary sector only and applying a more conservative expenditure methodology, there is a shortfall of 1,458 sq.m of supermarket floorspace in 2015 that could be supported at the subject site, increasing to 1,903 sq.m by 2026. Thus, even based on EA’s analysis there is a large market gap for supermarket facilities within the trade area, larger than the current size of the existing IGA supermarket at North Buderim.
- The MPD EIA estimates the supermarket floorspace market demand generated by the population across the MPD defined main trade area to be around 4,918 sq.m in 2015, equating to a prevailing market gap, or “net leakage” of 3,818 sq.m. Clearly, the significant majority of this floorspace demand is “escaping/leaking” to supermarket facilities located beyond the main trade area. We do not necessarily suggest that all supermarket expenditure would be or should be retained, were the proposed development to proceed. There would be some inflow of demand, or beyond trade area expenditure, captured by the IGA at North Buderim, which means the level of escape expenditure would indeed be greater than 3,818 sq.m.
- Clearly there is a very large market gap, and a limited provision of supermarket floorspace within the main trade area. When considered in conjunction with the distances/congestion and role/function of the surrounding centre’s network of and the size of supermarkets offered in Buderim, we consider that the concept of need is sufficiently demonstrated.

- **The existing provisions of the centres hierarchy is insufficient to service the needs of the community in this corridor:** Throughout EA's report, EA suggests that the existing centres hierarchy caters to the local community's need. The logic behind this statement is that the existing network is presently catering to the existing needs of a community because there are large supermarkets within a distance of 4km or so and because there would be some overlap in the trade areas of Buderim and Maroochydore CBD with the North Buderim main trade area. How well the hierarchy caters to the local community's need is the question that needs to be asked/answered. Issues such as realistic travel times, congestion, accessibility, size/range of offer within the surrounding centres need to be considered, but are generally ignored by EA due to its analysis being narrowly focussed on North Buderim centre being designated as a local centre.
- EA's own analysis, based only on primary sector demand, shows a shortfall of around 1,400 – 1,500 sq.m. The majority of this market gap would presently be met by supermarkets in Buderim and Maroochydore (a round trip of at least 6 – 8km), as residents would need to travel to these locations to access Woolworths, Coles or Aldi supermarkets. The existing IGA at North Buderim would not be satisfying all of this market gap, but may very well be over-trading to some extent.
- There will be times where main trade area residents will undertake supermarket shopping trips in the Maroochydore CBD, potentially as part of a higher order fashion/leisure shopping outing at Sunshine Plaza, for example. However, it is unquestionable that the Maroochydore CBD does not conveniently service the weekly/fortnightly supermarket needs of the North Buderim primary sector and main trade population. When congestion and parking are also considered, a trip to the supermarket in the Maroochydore CBD could potentially take in the order of 40 - 50 minutes (assuming 10 - 15 min travel, 5 - 10 min traffic/ parking, 20 - 25 min shopping).
- Buderim provides the closest supermarket facilities above 2,000 sq.m, to the south. However, the Woolworths Buderim store is only 2,456 sq.m and thus provides less car-parking than would be required at a larger supermarket. The car-park is frequently at or near capacity due to the lack of supermarket facilities across the region, coupled with congestion around the main street. This store (nor the small IGA X-press, nor the Foodworks Buderim) does not really provide a convenient grocery shopping offer for the residents in the defined North Buderim main trade area.

- Finally, the small IGA at North Buderim does not provide consumers with a comparable range of grocery items typically found at a large supermarket (like Woolworths or Coles), nor does it provide products at very low prices like Aldi. The store would therefore be bypassed for other supermarket offers in the surrounding region out of necessity, not necessarily because this network is convenient.
- **There is latent unsatisfied demand for the proposed centre that is not being met by the existing centres hierarchy:** This statement is self-fulfilling and nebulous. Obviously the existing demand for supermarket facilities generated by the North Buderim main trade area population is presently being met by the current centres hierarchy. As discussed in relation to the previous point, how well the hierarchy caters to the local community's need is the question that needs to be answered, and issues such as realistic travel times, congestion, accessibility, size/range of offer within the surrounding centres need to be considered.
- **The proposed centre will not adversely impact upon the existing network of centres in this corridor:** The analysis of economic impacts on the surrounding network of centres presented in the MPD EIA showed that expected impacts on the surrounding network were within acceptable ranges (i.e. below 15%) with a low likelihood of detrimental effects on the surrounding centres hierarchy. As we have highlighted in our report, generally, EA's analysis concurs with this in respect of several centres across the surrounding region. EA estimates impacts on Buderim of just 7.1% and on the Maroochydore CBD of 0.5%. However, EA contends that impacts on Maroochy Waters would be above 50% and on the Mill Road Local Centre (IGA Buderim on map) would be around 18%. This analysis shows EA's lack of understanding of supermarket shopping behaviours. These small centres would be barely used by residents of the North Buderim main trade area.
- Furthermore, within the North Buderim Local Centre itself, EA estimates impacts on the nearby centres of Kuluin and the IGA North Buderim centre would be significant, in the order of 23% and 50%, respectively. Assuming that the proposed development is developed, the impacts within the North Buderim Local Centre itself should be considered irrelevant in the context of the overall centres hierarchy. The proposed development would provide additional services within the established North Buderim Local Centre, a centre with a designation that would be elevated to a Local (Full Service) Centre.

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- That said, because of the distinct difference in offer between a large Woolworths supermarket and the existing small IGA supermarket at North Buderim, we do not expect the scale/percentage impact on the existing IGA North Buderim centre to be anywhere near the level that EA contends. Even on its own analysis there is massive leakage of supermarket expenditure/demand from the primary sector at present, due to a lack of large supermarket facilities in the main trade area.
- The proposed development would help to retain that escape expenditure, which a large proportion would be redirected from the Maroochydore CBD and Buderim District Centre. The impacts on the Kuluin centre would be very minor, due to the completely different nature of that centre, which contains just a handful of specialty retail shops and some non-retail uses.
- **The scale of the proposed centre is conducive to the existing centres hierarchy within the corridor:** The analysis of economic impacts on the surrounding network of centres, is the proxy for determining whether the scale of the proposed development is conducive to the existing centres hierarchy. The MPD EIA has included such analysis, which concluded that no impact on any individual centre in the surrounding centres hierarchy would be unreasonable to the extent that their viability would be threatened, and thus the surrounding centres hierarchy would be preserved, and indeed, improved.
- All of the points raised above in relation to the impacts analysis prepared by EA are relevant in regards to this issue.

Should you have any questions, queries associated with the content of this letter, please contact James Turnbull – Senior Manager, Retail on 02 9221 5211.

Yours sincerely



James Turnbull
Senior Manager
Retail