



13 May 2016

Mr Stuart Bishop
Director
Taylor Bridge Capital
Level 14
167 Eagle Street
Brisbane QLD 4000

Dear Stuart,

NORTH BUDERIM – RESPONSE TO COUNCIL REQUEST FOR INFORMATION

MacroPlan Dimasi prepared an Economic Impact Assessment (EIA) dated July 2015, for a proposed retail development at North Buderim, with Application Number MCU 15/0192.

This letter presents our response to questions raised by Sunshine Coast Council in its Information Request dated 14 October 2015. This letter focusses on the economic issues as they relate to the proposal.

We have structured our responses in order of sequence in the Council Information Request.

Point 5 - Demonstrate how the proposal for a 3,906m² full line supermarket does not duplicate existing or planned services and infrastructure in centres to meet the reasonable needs of the community.

The existing IGA supermarket at North Buderim is only 1,100 sq.m. The full scale proposed supermarket at the subject site is not duplicating any existing services in North Buderim as there are no large supermarket facilities in this centre. While providing many top-up shopping items, the 1,100 sq.m IGA store does not provide the range and depth of a larger supermarket.

There is a very substantial gap in the provision of supermarket floorspace to serve the local population of Buderim North/Kuluin.

There is clearly demonstrated market gap for large/full-scale supermarket facilities in the main trade area surrounding the subject site, in the MacroPlan Dimasi EIA. The MacroPlan Dimasi EIA shows an existing supermarket market gap of 3,812 sq.m at 2015.

Since the preparation of our EIA, the proponents have reduced the size of the supermarket tenancy by 218 sq.m to 3,688 sq.m (GFA). Therefore, following the addition of the proposed supermarket at the subject site (net addition of 3,688 sq.m), a supermarket floorspace gap of 889 sq.m would still exist by 2021, increasing to 1,562 sq.m at 2026.

While it is arguable that not all of the available supermarket business generated by this population would be retained locally, it is reasonable that the bulk of that business should be able to be spent at a convenient, local supermarket centre, particularly given the distances involved to access the nearest full range national chain supermarkets at present. It is a round trip in the order of 6 – 8km (including a steep ascent) to the Woolworths store at Buderim Marketplace within the Buderim District Centre, which is not really that convenient.

In the Queensland Planning & Environment Court (PEC) case of *Garyf Pty Ltd v Maroochy Shire Council & Ors (2008)* it was also acknowledged that even in 2008 there were congestion issues around the Buderim District Centre.

Since 2008 the population around Buderim/Mountain Creek has grown significantly, at around 2.6% per annum and it stands to reason that congestion around the Buderim District Centre would only have worsened. There have been no additional full-scale supermarkets provided in this area since this time. Therefore, in our view, would not be a convenient supermarket destination for residents of the main trade area, the size of which has increased itself by 1.5% per annum since 2008.

Point 7 - Demonstrate that the proposed 3,906m2 full line supermarket complies with the Strategic Plan's Retail and Commercial Centres Hierarchy by:

- ***demonstrating that there is an 'unsatisfied demand' for a full line supermarket, which could not be met by existing retail development within the precinct (including the 1,000m2 IGA) or existing surrounding supermarkets (refer to Economic Impact Assessment section); and***
- ***demonstrating that the type and scale of the proposal is consistent with that anticipated by the commercial retail hierarchy.***

North Buderim – Response to Sunshine Coast Council RFI

Mr S Bishop

As discussed earlier, there is a clearly demonstrated market gap, or 'unsatisfied demand' for supermarket facilities at the subject site. The main trade area population of 10,600 persons generates supermarket floorspace demand of around 4,900 sq.m, which is presently only being met by the small 1,100 sq.m IGA supermarket at North Buderim.

Most of this supermarket demand *must* be escaping to other centres by necessity, but not necessarily because these centres are convenient to access. Indeed, the Buderim District Centre is a 6 – 8 km round trip (on average), including a steep ascent/descent and Maroochydore PAC is a 10 – 12km round trip (on average) for trade area residents, often with significant congestion. As alluded to earlier the convenience of Buderim District Centre would only have deteriorated since 2008, given the additional population growth in the surrounding region.

As the Sunshine Coast's only PAC, Maroochydore services the higher order needs of the whole Sunshine Coast population, which has grown by 1.7% per annum since 2008, or by more than 35,000 persons. In this context, congestion in Maroochydore PAC would have increased significantly since 2008, with new retail facilities (including bulky goods retail), new commercial developments, new hotel developments and new residential development all adding to the overall activity levels in the PAC.

We consider there to be a very significant spatial gap in the commercial retail hierarchy. The addition of a supermarket at the Jones Road site would be able to service a similar need for the North Buderim/Kuluin local population.

The second comment raised by Council above questions whether the proposed development is considered consistent with the retail hierarchy. We understand the proponents are seeking to upgrade the status of the centre from a Local (not full service) activity centre to a Local (full service) activity centre.

Throughout the surrounding region there are many supermarket facilities provided as part of Local (Full Service) Centres, which are well located to serve such needs for their respective local communities, but no such facility exists at North Buderim. Indeed, there are supermarkets greater than 2,500 sq.m provided at Chancellor Park, Mountain Creek and Pacific Paradise – which are all designated Local (Full Service) Centres.

Point 10 – Demonstrate how the proposal for a shopping complex with a full line 3,906m² supermarket would not become a primary shopping area or destination.

The proposed development concept has been revised downwards in size, since the preparation of our EIA report. The original proposal was for a development of just 5,035 sq.m (GFA) of retail floorspace (i.e. 3,906 sq.m supermarket, 879 sq.m sq.m of supporting specialty retail and a 250 sq.m fast food tenancy), which has been revised to 4,937 sq.m including a 3,688 sq.m supermarket, 999 sq.m of shops and a 250 sq.m fast food tenancy.

In the context of the retail provision at higher order centres like Maroochydore (in the order of 80,000 sq.m); Buddina (more than 40,000 sq.m); Caloundra (more than 40,000 sq.m), and Nambour (more than 20,000 sq.m), the proposed development would hardly be considered a primary shopping destination.

Were the proposed development to proceed, it is likely that it would be a popular and frequently used grocery shopping destination by surrounding residents. However, given its limited range of services and scale, in the context of the surrounding centres hierarchy, which includes many centres well in excess of 40,000 sq.m, it is clear that the development would not be the primary, or principal, shopping destination in the region. The Maroochydore PAC, by its designation, is the primary, or principal, retail destination on the Sunshine Coast.

Point 14 – Identify sufficient grounds to support a shopping complex with a 3,906m² full line supermarket despite conflict with the planning scheme.

The MacroPlan EIA clearly demonstrates the following reasons that provide justification as to why the proposed 3,688 sq.m supermarket is supportable at the subject site:

- There is a significant supermarket market gap of 3,812 sq.m identified at 2015, with the main trade area population generating demand of around 4,912 sq.m of supermarket floorspace, which is presently being met by a small 1,100 sq.m IGA supermarket.
- There is a clear spatial gap for a Local (Full Service) Centre in this part of the Sunshine Coast, with the closest centre of this designation, or higher, located at Buderim District Centre (a 6 – 8 km round-trip from the subject site).

- Conditions have changed significantly since the 2008 court case. The population in the surrounding suburbs of Buderim/Mountain View has increased by around 3,500 persons but there have been no additional large supermarkets developed in this area since 2008. Therefore the Mountain View Local Centre and Buderim District Centre would have seen increases in the congestion levels – making these centres less convenient not only for residents in their respective primary sectors but also for residents around North Buderim/Kuluin (i.e. in the subject proposal's main trade area).
- Estimated impacts on the various centres within and surrounding the identified North Buderim trade area are generally minor to moderate, being in excess of 10% only for the Buderim District Centre and the existing North Buderim Centre. In our EIA, for these two centres, the estimated impacts at 2017/18 are 13.5% and 11.5% respectively. With a revised plan that proposes a supermarket around 6% smaller than that modelled in the EIA, we expect impacts would reduce by a similar order.
- For all centres other than Buderim District Centre and the existing North Buderim facilities, estimated sales are higher, in real terms, at 2018 than current levels. For Buderim District Centre and the existing North Buderim Centre, the estimated sales levels at 2017/18 are 6.0% and 3.8% lower, respectively, than 2014/15 estimates. Again, these percentages would be lower, by a magnitude of around 6%, under the revised development plan.
- The expected impacts on small, local convenience shops (e.g. Kuluin Village, Kuluin Central etc) that do not contain supermarket facilities, are all expected to be minor to negligible. This is because as these types of centres serve an entirely different market to a full-line, national chain supermarket and would only be capturing a very small market share of the available retail expenditure generated by the surrounding population.
- On the basis of this assessment, none of the existing centres will face any threats in terms of being able to provide the surrounding community with levels of service that are at least equivalent to the current (2014/15) situation. In other words, the proposed development will not impact the viability of any existing centres, including the IGA located on the nearby site at North Buderim.
- Further to the question raised by Council about identifying grounds to support a 3,906 sq.m (since revised to 3,688 sq.m) supermarket at the subject site, MacroPlan Dimasi has prepared an analysis of trends in supermarket sizes across Australia – which demonstrates a trend of increasing sizes across the three large format supermarket

operators (i.e. Woolworths, Coles and Supa IGA. This analysis is presented in the last sub-section of this letter.

- In summary, the analysis indicates that the average size of Woolworths (3,388 sq.m) and Coles (3,234 sq.m) supermarkets is well above 3,000 sq.m. Furthermore, new stores tend to be larger than the prevailing average of all stores. Over the past 5 years, the average size of new Coles stores has increased around 3,360 sq.m to 3,550 sq.m and the average size of new Woolworths stores has increased around 3,410 to 3,630 sq.m. In this context, there is a clear trend towards larger supermarkets, driven by customers, who tend to be increasingly time-poor and prefer a greater range of grocery items in one location.

Economic Impact Assessments

Point 25 – Council has referred to the previous judgment from the case *Garyf Pty Ltd v Maroochy Shire Council & Ors (2008)* which resulted in a dismissed appeal in relation to a proposed development scheme that consisted of a 3,200 sq.m supermarket and a 1,280 sq.m Aldi supermarket (i.e. 4,480 sq.m of supermarket floorspace).

Council, by referring to that case, contends that the findings from that case still apply and that “*there is no unreasonable deficiency in the way that the existing facilities cater for the demand for supermarket based shopping.*”

Council then asks the proponent to demonstrate how residents of the primary sector would be disadvantaged in the absence of the proposed shopping complex.

In our view, there has been sufficient changes to the conditions and proposed plan, to mean that the findings from this previous case, from 2008, should not be held as relevant as to the appropriateness of a new supermarket of the scale proposed should at the subject site.

We make the following comments in relation to key changes that have occurred since the 2008 finding:

- The amount of supermarket floorspace currently requested, revised to 3,688 sq.m, is around 1,012 sq.m less than that previously applied for as part of the DA in the 2008 court case.

- The proposal is for one full-line supermarket, a Woolworths, whereas the previous proposal was for a Woolworths and an Aldi supermarket. As such the defined trade area referred to in the Core Economics EIA – March 2007 report was more extensive than that defined by MacroPlan Dimasi in its EIA in 2015. This is because of the proposed provision of an Aldi supermarket. At the time, there were fewer Aldi stores across the region and these stores also tend to serve slightly larger trade areas than a normal supermarket, but draw more thinly from such trade areas, in part because they perform a slightly different role to a typical supermarket (i.e. hard discounter).
- Without an Aldi supermarket, were the proposed development to proceed as planned, the centre would more closely resemble a Local (Full Service) Centre, rather than a District Centre.
- There are other examples across the Sunshine Coast where Local (Full Service) Centres contain large supermarkets. Chancellor Park (Woolworths – 3,300 sq.m); Mountain Creek (Woolworths – 2,700 sq.m (Council estimate)); and Pacific Paradise/North Shore Shopping Centre (Coles – 2,500 sq.m) are three such examples.
- Indeed, Chancellor Park contains the 5,000 sq.m Chancellor Park Marketplace (Woolworths plus 15 specialty shops) and there is adjacent street/strip retail around this centre including the Chancellor Village Retail Centre and some large format style retailing.
- As indicated earlier, the MacroPlan Dimasi EIA clearly demonstrates there is a major spatial gap for full-line supermarket facilities in the defined main trade area, and indeed, primary sector. In this context, we consider there to be a clear unsatisfied demand and that additional supermarket facilities at the subject site.
- Since 2008, the estimated population of the defined main trade area (as per the MacroPlan Dimasi EIA) was around 9,500 persons of which around 7,450 were in the primary sector. As at 2015, we estimate the population of the main trade area to have increased by around 1,100 persons to 10,600. We estimated food and grocery expenditure would have increased by around \$10 million between 2008 and 2015 (in \$2015).
- In this time, the small convenience store across the road has increased in size from 360 sq.m to 1,100 sq.m since 2008. This expansion would have at most, matched the growth that has occurred between 2008 and 2015, which means that there is still a significant amount of supermarket escape expenditure from the main trade area.

- Maroochydore Principal Activity Centre (PAC) has increased and strengthened its retail provision, with revitalised street/ground floor retail as part of new developments in the PAC, new bulky goods/large format retail, a new Aldi supermarket (near Second Avenue), and a redeveloped Big Top Shopping Centre. Furthermore, Maroochydore PAC has seen significant additional development as outlined earlier.
- Since 2008 the population around Buderim/Mountain Creek has grown significantly, at around 2.6% per annum and it stands to reason that congestion around the Buderim District Centre would only have worsened. It was noted in the 2008 court case that there were congestion issues in this centre, even in 2008. There have been no additional full-scale supermarkets provided in this area since this time.
- Nambour Major Activity Centre has strengthened its retail offer, with the old Nambour Mill site being redeveloped for a Coles anchored retail development. Coles Nambour Village contains a full-line Coles supermarket and a handful of specialty shops and medical centre.

Having regard to all of the above, it is clear that the 10,600 residents in the main trade area do not have convenient access to large supermarket facilities, and these residents are 'disadvantaged' relative to other residents on the Sunshine Coast, particularly in the context of the worsening congestion at the closest full-line supermarket centres (Buderim District Centre and Maroochydore PAC).

Point 26 – Council suggests the proponent demonstrate there is a market gap for a major supermarket at the subject site in the context of the provision of three supermarkets in the suburb of Maroochydore, suggesting the supermarkets in that suburb rely on the population in the identified primary sector of the MacroPlan Dimasi EIA.

As indicated earlier, the MacroPlan Dimasi EIA clearly demonstrates there is a major spatial gap for full-line supermarket facilities in the defined main trade area. There is a population of more than 10,600 persons in the main trade area, which generates supermarket demand of 4,912 sq.m, which is serviced by just a small 1,100 sq.m IGA supermarket across the road from subject site.

The supermarkets in Maroochydore PAC are hardly a convenient alternative for residents in the main trade area, as this centre would be a round trip of around 10 – 12km. These supermarkets, as part of the PAC, would serve not only immediate local residents but surrounding workers, tourists and also a broader regional population – to some extent.

The trade area served by the aggregate offer within the PAC (i.e. anchored by Sunshine Plaza) would effectively be the entire Sunshine Coast, which has a population of more than 335,000 persons. In this context the main trade area population (of around 10,600 persons) is less than 3% of the total trade area that would be served by the Sunshine Coast PAC.

Trends in supermarket sizes

Table 1 and Chart 1 illustrate the average size of supermarkets for a number of brands in Australia – Woolworths, Coles, Supa IGA and IGA. The data presented is sourced from company annual reports and the internal database of MacroPlan Dimasi, which keeps up-to-date information on all existing and new supermarkets throughout the country.

The analysis reveals that the average size of Woolworths supermarkets increased from 3,235 sq.m in 2005 to 3,388 sq.m by 2015, an increase of 153 sq.m, while the average size of Coles supermarkets increased by 199 sq.m over the same period.

In 2006, the Supa IGA brand was launched, and since that time the average size of Supa IGA supermarkets has increased by 53 sq.m. For remaining IGA supermarkets (excluding IGA X-press stores) the average supermarket size increased by 163 sq.m over the 9 years from 2006 to 2015.

The key factors driving the increase in the average supermarket size are as following:

- Coles has opened several very large supermarkets (i.e. greater than 6,000 sq.m);
- Most new supermarkets being developed are above historical average sizes; and
- Existing supermarkets are being expanded.

In more detail, Coles has opened four supermarkets over 6,000 sq.m in the last 10 years, increasing the number from three in 2005 to seven in 2015. Over the past decade the number of Coles supermarkets sized between 5,000 sq.m and 6,000 sq.m has remained relatively stable, though the number of Coles supermarkets sized between 4,000 sq.m and 5,000 sq.m has increased from 96 in 2005 to 129 in 2015. For the remaining Coles supermarkets (i.e. under 4,000 sq.m), the average supermarket size has increased from 2,670 sq.m to 2,915 sq.m over the decade. **A review of new Coles**

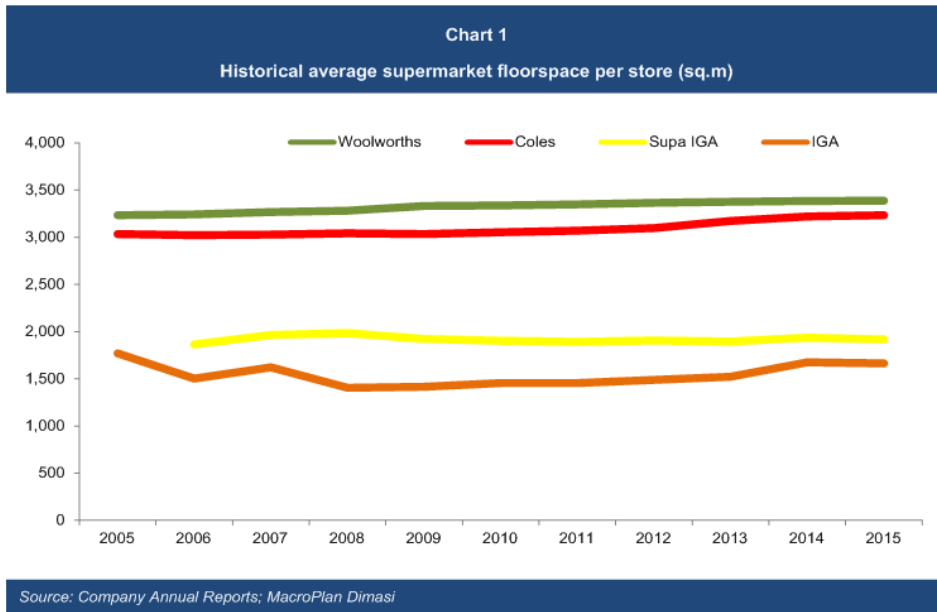
supermarkets developed in the last six years reveals that the average size of new stores has increased from an average of 3,360 sq.m in 2009, to 3,550 sq.m in 2015.

For Woolworths, the number of very large supermarkets over 6,000 sq.m has remained constant over the last decade, though the number of supermarkets sized 5,000 sq.m to 6,000 sq.m has increase from 13 to 18 over the last 10 years. The number of Woolworths supermarkets sized 4,000 sq.m to 5,000 sq.m has also increased from 152 in 2005 to 206 in 2015. The average size of Woolworths supermarkets under 4,000 sq.m has also increased, from 2,790 sq.m to 3,040 sq.m over the decade. **A review of new Woolworths supermarkets developed in the last six years reveals that the average size of new stores has increased from an average of 3,410 sq.m in 2009, to 3,630 sq.m in 2015.**

The proposed retail development at North Buderim is to include a supermarket with a 3,688 sq.m GFA. This proposed supermarket size is entirely consistent with the average size of new major supermarkets opening in Australia, which has progressively increased over the past decade, as shown in this report.

Table 1 Historical average supermarket floorspace per store (sq.m)				
Year	Woolworths	Coles	Supa IGA	IGA
2005	3,235	3,035	n.a.	1,770
2006	3,245	3,022	1,865	1,503
2007	3,268	3,029	1,965	1,623
2008	3,282	3,044	1,984	1,406
2009	3,332	3,035	1,922	1,416
2010	3,339	3,054	1,905	1,456
2011	3,350	3,071	1,891	1,454
2012	3,365	3,099	1,905	1,489
2013	3,377	3,175	1,896	1,522
2014	3,386	3,221	1,938	1,675
2015	3,388	3,234	1,918	1,665

Source: Company Annual Reports; MacroPlan Dimasi



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

