Role of an economist in a retail development application

Assess the need for the proposed retail development having regard to:

- Anticipated trade area of the proposed development
- Location and role of functions currently serving those trade areas (located both within and outside the trade areas)
- Analysis the demography of the relevant trade areas and their existing and future populations
- Assess the demand for the proposed floor space
- Identify the service gap based on existing and future demand and existing floor space provision
- Estimate the potential trading impacts of the proposed development

Concerns with the report submitted with development application

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1. DA economics report prepared in 2019-its out of date
2. DA economics report does not assess the supermarket applied for
3. Estimated and projected population estimates are above official estimates and projections
4. Heavy reliance on the secondary trade area to demonstrate demand and need
5. Assessment largely ignores the fact that trade area residents will continue to use other supermarkets outside trade area as part of their day-to-day lives (because of work, commuting behaviour, link shopping at higher order centres, etc)
6. Overstates the actual retained demand for supermarket floorspace
7. Understates scale of trading impacts in Springwood and avoids discussing which Springwood retailers would sustain the most of that impact

Trade Areas

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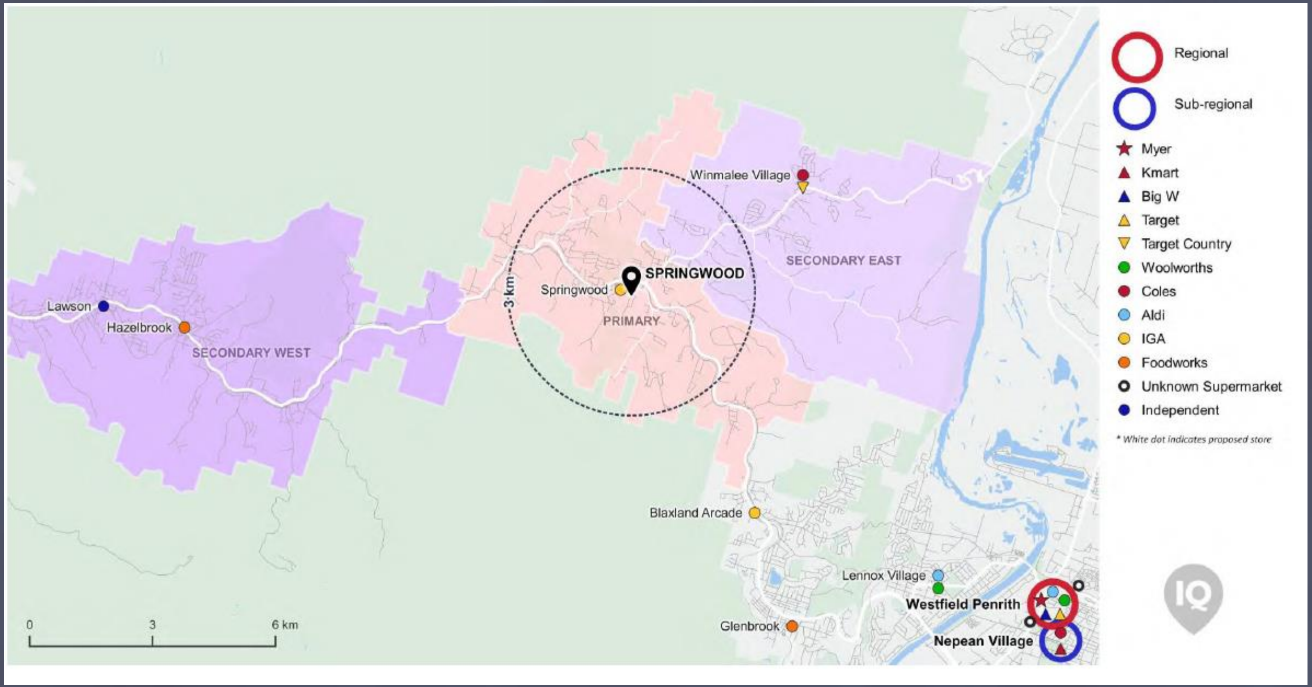

A reasonable reflection of where people are likely to come from, but doesn't show the big picture

The Big Picture

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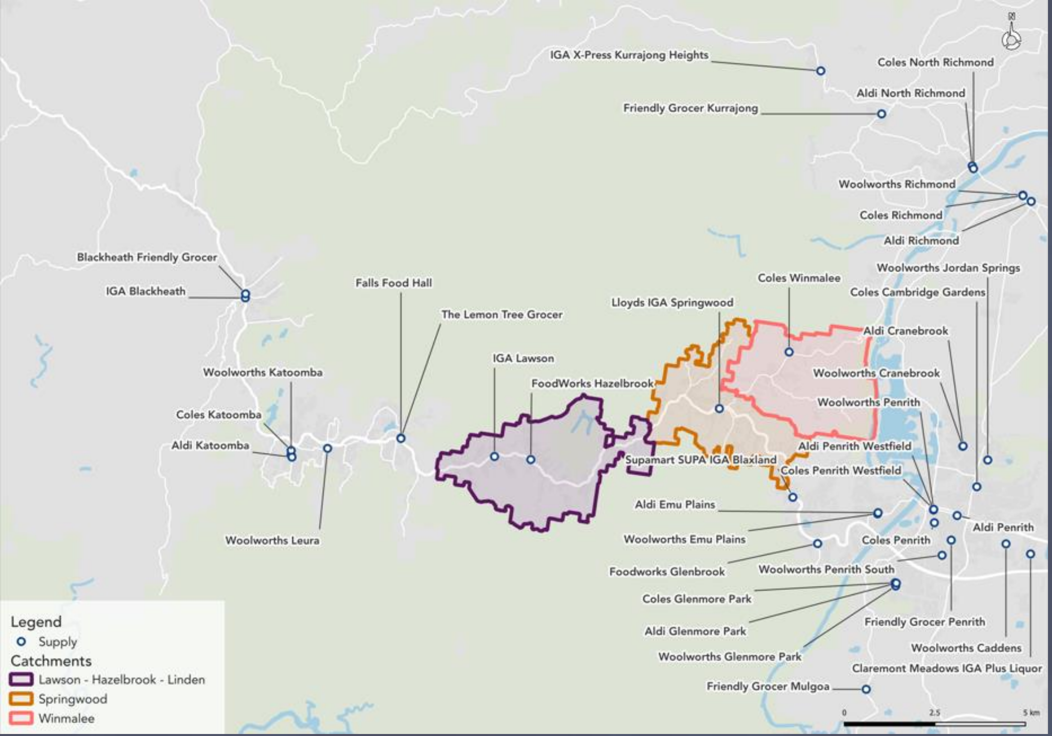

Trade areas residents will likely access supermarkets in Katoomba/Leura to the west, and Penrith, Lennox Village and Richmond to the west

Not all floor space demand can/will be retained locally

Population estimates & projections

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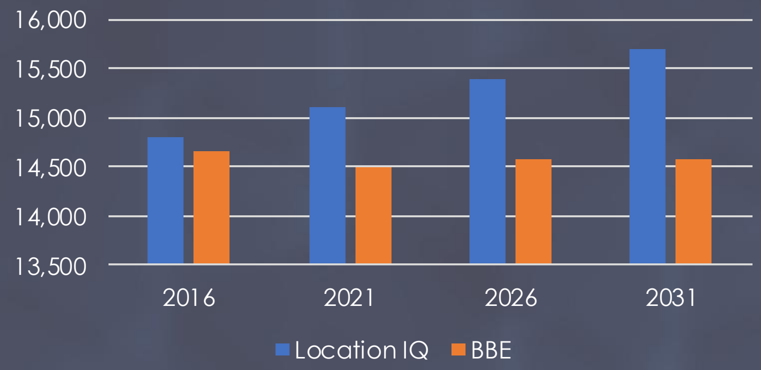
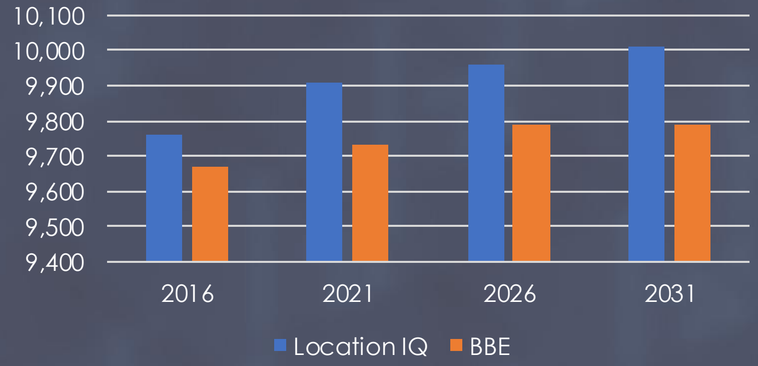
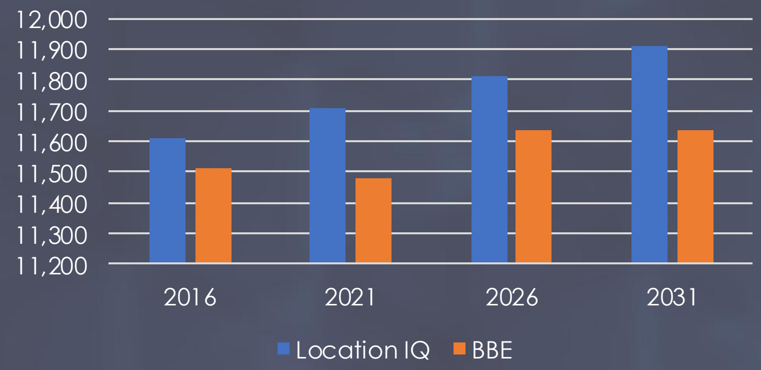
Primary trade area



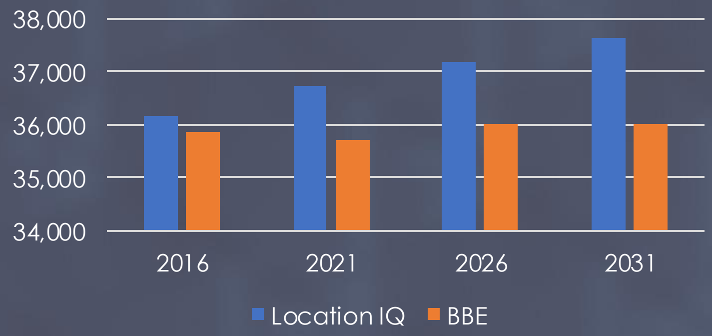
Secondary East trade area



Secondary West trade area



Combined trade area



Understanding supermarket provision levels

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Sydney metropolitan average: 0.263 sqm per person: being an average some places will have higher provision some places will have lower. Locations with higher provision are higher order centres (e.g. Penrith, Katoomba, etc)

Local provision rates:

- Secondary east trade area: 0.36 sqm per person
- Combined primary and secondary east trade area: 0.2 sqm per per person
- Secondary west trade area: 0 sqm per person
- Katoomba / Leura + Blackheath-Megalong Valley + Wentworth Falls + Secondary West trade area: 0.32 sqm per person

DA economics report relies on the population and low provision in Secondary West trade area (Lawson, Hazelbrook, Linden, Woodford) to illustrate a notional shortfall

Determining need

Consideration should be given to how much demand can be reasonably retained

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Some trade is always directed to higher order centres outside the trade areas

The DA economics report acknowledges this, but does not apply it to the consideration of need

Our analysis suggests a potential shortfall as at 2031 of 1,275 sqm to 1,786 sqm, not as proposed a supermarket of 3,490 sqm.

Trading impacts

DA economics report anticipates greatest trading impacts on:

- Winmalee: $13.1 million
- Springwood: $7.8 million
- Penrith: $ 6.8 million

We think impacts on Winmalee and Penrtih are overstated, and Springwood impacts are understated

DA Economics report contends $7.8 million impact on Springwood would be distributed across all retailers, when in reality it will be focused on fresh food and grocery retailers.

DA Economics report anticipates 11.5% impact, preliminary analysis indicates closer to 15%-20% without store closures and 25%-30% with store closures