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Springwood Woolworths Review & Economic Advice

Springwood Residents Group



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As this report involves future market projections which can be affected by several unforeseen variables, they represent our best possible estimates at this point in time and no warranty is given that this particular set of projections will in fact eventuate.

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1 Introduction

Bull & Bear Economics was engaged by the Springwood Residents Group and owners of Lloyd's IGA to review the economic need and impact assessment (ENIA) submitted with the development application relating to the proposed development at 110 - 120 Macquarie Road and 8 - 12 Raymond Road, Springwood and to provide independent economic analysis of the need for additional supermarket floor space within Springwood.

The proposed development entails a ~3,490 sqm full line Woolworths supermarket and specialty shop of ~83sqm.

1.1 Report Structure

This report is structured as follows:

- + **Section 1 Introduction:** details the purpose and structure of this report;
- + **Section 2 Review of Applicant's Economic Need and Impact Assessment:** provides a review of the ENIA submitted for the development application of the proposed development at 110 - 120 Macquarie Road and 8 - 12 Raymond Road;
- + **Section 3 Economic Analysis of Supermarket Need:** provides independent economic analysis of the need for additional supermarket floor space in Springwood; and
- + **Section 4 Summary:** summarises the key findings of this report.

2 Review of Applicant’s Economic Need and Impact Assessment

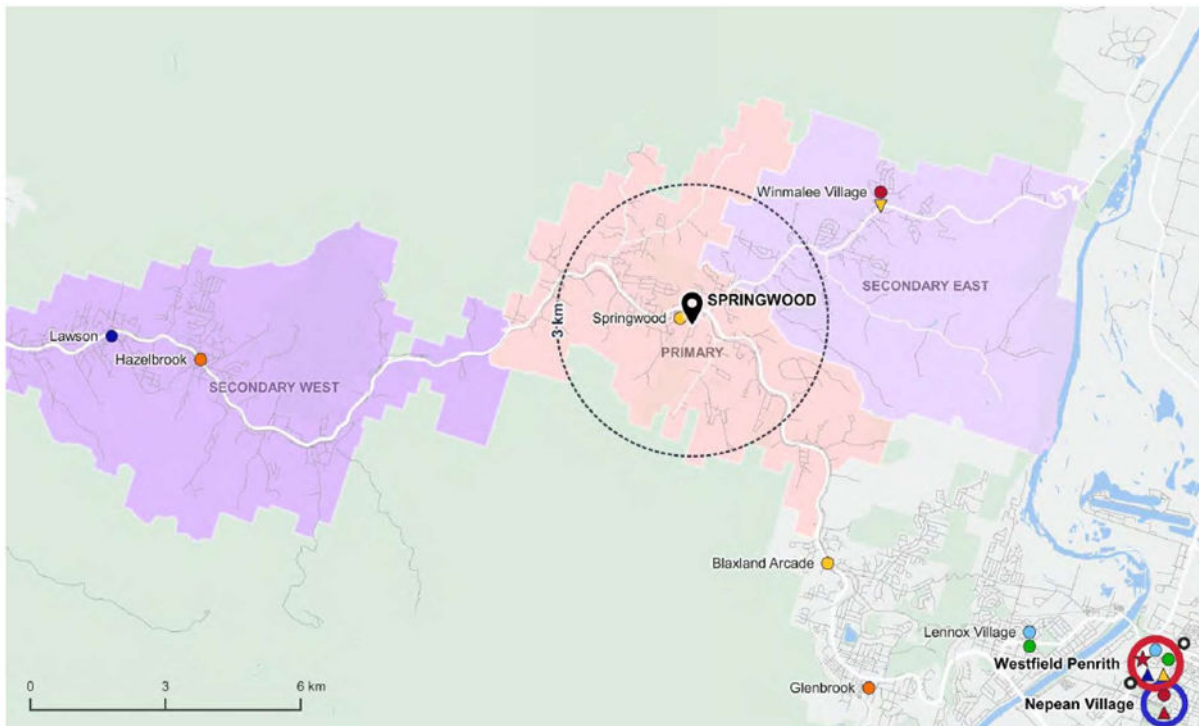
The economic need and impact assessment (ENIA) submitted with the development application was prepared by Location IQ in August 2019, however the development application appears to have been lodged in December 2024. At the outset this raises concerns about the currency of the assessment prepared by Location IQ.

Since 2019 there have been significant changes to how Australians live, work and shop. The Location IQ ENIA was prepared pre-pandemic and it is likely that there have been some very significant changes in the population outlook and potentially the retail network.

2.1 Trade Areas

Location IQ define a set of trade areas for the proposed development. These trade areas cover the eastern corridor within Blue Mountains local government area (LGA), with the exception of Blaxland and Glenbrook. Among other things, the scale and size of these trade areas is driven by the size of the proposed development. The implication being that a full line Woolworths supermarket of 3,490 sqm will need to draw trade from an area well beyond Springwood and its immediately surrounding neighbourhoods.

Figure 2-1 Location IQ trade areas for proposed development



Source: Location IQ (2019)

2.2 Estimated and Projected Population

Location IQ report estimated and projected populations for each of the respective trade areas at Figure 2.1 of their report (extracted as Table 2-1 below). Location IQ report a population for 2021, which at the time of preparing their report was a projection not an estimate. Since Location IQ has prepared their report, the Australian Bureau of Statistics have reported estimated resident populations at the Statistical Area level 2 (SA2) and LGA level.

Based on ABS data the population of the Blue Mountains LGA decreased from 79,077 persons in 2019 to a recent low of 77,913 persons in 2022, before marginally recovering to 78,446 persons in 2023. The New South Wales (NSW) Department of Planning, Housing and Infrastructure anticipate that the population of Blue Mountains LGA would only increase by 990 persons, or 0.13% per annum. Relevantly, the NSW Government projections were prepared prior to the government having a full understanding of the impacts of the pandemic of population growth, as such the projections are likely to overstate the growth outlook. The Location IQ report anticipates the population of its combined trade areas to increase by ~900 persons over the same period, representing just over 90% of LGA wide growth.

Based on our review of estimated resident population data and NSW government population projections, we are of the view that the Location IQ report has overstated the 2021 population and consequently the 2026 and 2031 projected populations.

Table 2-1 Location IQ estimated and projected population

Population	Actual		Fore cast			
	2011	2016	2019	2021	2026	2031
Primary Sector	14,570	14,800	14,980	15,100	15,400	15,700
Secondary Sectors						
• East	10,050	9,760	9,850	9,910	9,960	10,010
• West	<u>11,420</u>	<u>11,610</u>	<u>11,670</u>	<u>11,710</u>	<u>11,810</u>	<u>11,910</u>
Total Secondary	21,470	21,370	21,520	21,620	21,770	21,920
Main Trade Area	36,040	36,170	36,500	36,720	37,170	37,620

Average Annual Change (No.)	Actual		Fore cast		
	2011-16	2016-19	2019-21	2021-26	2026-31
Primary Sector	46	60	60	60	60
Secondary Sectors					
• East	-58	30	30	10	10
• West	<u>38</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
Total Secondary	-20	50	50	30	30
Main Trade Area	26	110	110	90	90

Average Annual Change (%)	Actual		Fore cast		
	2011-16	2016-19	2019-21	2021-26	2026-31
Primary Sector	0.3%	0.4%	0.4%	0.4%	0.4%
Secondary Sectors					
• East	-0.6%	0.3%	0.3%	0.1%	0.1%
• West	<u>0.3%</u>	<u>0.2%</u>	<u>0.2%</u>	<u>0.2%</u>	<u>0.2%</u>
Total Secondary	-0.1%	0.2%	0.2%	0.1%	0.1%
Main Trade Area	0.1%	0.3%	0.3%	0.2%	0.2%
<i>Syd Metro</i>	1.9%	1.5%	1.5%	1.3%	1.2%
<i>Australian Average</i>	1.7%	1.4%	1.4%	1.4%	1.3%

All figures as at June and based on 2016 SA1 boundary definition.
Sources : ABS; SAFI by Jd

Source: Location IQ (2019)

Based on our review and analysis of ABS and NSW Government population data we have prepared a revised set of population projections for Location IQ's Primary trade area, Secondary East trade area and Secondary West trade area in Table 2-2 below. Based on our analysis, the 2021 estimated resident population for the Location IQ's main trade area (MTA) was ~1,010 persons lower than Location IQ's projected 2021 population (35,710 persons compared to 36,720 persons). The differences were mostly (some 600 persons) attributable to the Primary trade area population being lower in 2021 than anticipated by Location IQ. This has flow on effects for projected population. By 2031, the Location IQ population projection for the MTA is ~1,614 persons higher than those reported in Table 2-2 below, with a ~1,118 person difference in the Primary trade area 2031 projected population.

Table 2-2 Revised population projections for Location IQ trade areas

	2011	2016	2021	2023	2026	2031	Population growth, 2021-2031	
							No.	% p.a.
Primary	14,564	14,662	14,498	14,502	14,580	14,582	84	0.06%
Secondary								
East	10,067	9,669	9,731	9,731	9,787	9,788	57	0.06%
West	11,380	11,514	11,481	11,512	11,637	11,637	156	0.14%
Total Secondary	21,447	21,183	21,212	21,243	21,424	21,425	213	0.10%
Main Trade Area	36,011	35,845	35,710	35,745	36,004	36,006	296	0.08%
Blue Mountains LGA	78,553	78,835	78,372	78,446	79,198	79,261	889	0.11%

Source: Bull & Bear Economics (2025)

2.3 Competitive Centres Environment

Location IQ articulate a competitive centres environment at their Table 3.1 (extracted as Table 2-3 below). By and large the data contained within the Location IQ assessment of the centres network is accurate, however we note that Location IQ have not included the 1,900 sqm Woolworths supermarket within Leura Mall, Leura. Also, since the Location IQ report was prepared the Lawson IGA has been expanded to ~520 sqm. This has a material implications for subsequent consideration of need, by increasing the supermarket floorspace supply within the Blue Mountains LGA to ~18,768 sqm.

Table 2-3 Location IQ competitive centres network

Centre	Shopfront GLA (sq.m)	Anchor Tenants	Dist. From Site (km)
Regional Shopping Centres			
<u>Penrith Town Centre</u>	<u>132,800</u>		<u>17.2</u>
• Westfield Penrith	91,600	Myer (20,114), Big W (8,738), Target (7,097) Woolworths (3,795), Aldi (1,612)	
• Nepean Village	23,100	Kmart (8,430), Coles (4,325)	
• The Nepean Centre	3,100		
• Other	15,000	Aldi (1,605)	
Sub-regional Shopping Centres			
<u>Katoomba City Centre</u>	<u>27,500</u>		<u>30.5</u>
• Katoomba Marketplace	9,700	Big W (5,719), Woolworths (4,000)	
• Katoomba Village	5,400	Coles (4,660)	
• Katoomba Fair SC	2,400	Target Country (1,600)	
• Other	10,000	Aldi (1,350)	
Supermarket Based Shopping Centres			
Springwood	10,590	Supa IGA (1,020)	0.4
<u>Winmalee</u>	<u>6,800</u>		
• Winmalee Village	6,000	Coles (3,358), Target Country (1,402)	6.0
• Other	800		
Blaxland	3,700	Supa IGA (1,960)	7.9
Hazelbrook	2,200	Foodworks (460)	14.4
Lennox Village	10,100	Woolworths (3,084), Aldi (1,468)	16.4
Lawson	2,400	IGA X-Press (270)	16.9

Source: Australian Shopping Centre Council Database

Source: Location IQ (2019)

2.4 Understanding Supermarket Need

Location IQ aim to articulate a case for the proposed full line supermarket by comparing benchmark supermarket floor space provision levels (0.263 sqm per person) to the identified trade areas and Blue Mountains LGA generally. This is shown at Locations IQ's Table 3.3 and Table 3.4 (extracted as Table 2-4 and Table 2-5 below).

A major issue with these types of comparisons is they assume that all trade areas should be treated equally despite there clearly being a hierarchy of trade areas. Location IQ's analysis indicates that there is no supermarket floor space within the Secondary West trade area (which aligns with the Lawson-Hazelbrook-Linden SA2), and as such has a provision rate of zero. This is then aggregated up to the MTA level to demonstrate a under provision or shortfall across the MTA.

The Location IQ analysis relies heavily on the absence of supermarket floor space within the Secondary West trade area. By approaching the analysis the way Location IQ has, the inference is that all of the supermarket demand from the MTA must be met within the MTA. This is simply not the case. Centres networks are hierarchical, which means the catchments of lower order centres are frequently subsumed by those of higher order centres and as such demand escapes local catchments to higher order centres (see for example, Figure 2-2 below-Westfield Penrith trade area).

Table 2-4 Location IQ MTA supermarket provision, 2019

Trade Area Sector	No. of Supe markets*	GLA (sq.m)	2019 Population	GLA per 1,000 persons
Primary Sector	1	1,020	14,980	68
Secondary Sectors				
• East	1	3,358	9,850	341
• West	0	0	11,670	0
Total Secondary	1	3,358	21,520	156
Main Trade Area	2	4,378	36,500	120
City of Blue Mountains LGA				231
Sydney Metro				263
Australian Average				346

* Defined as 500 sq.m or larger

Source: Location IQ (2019)

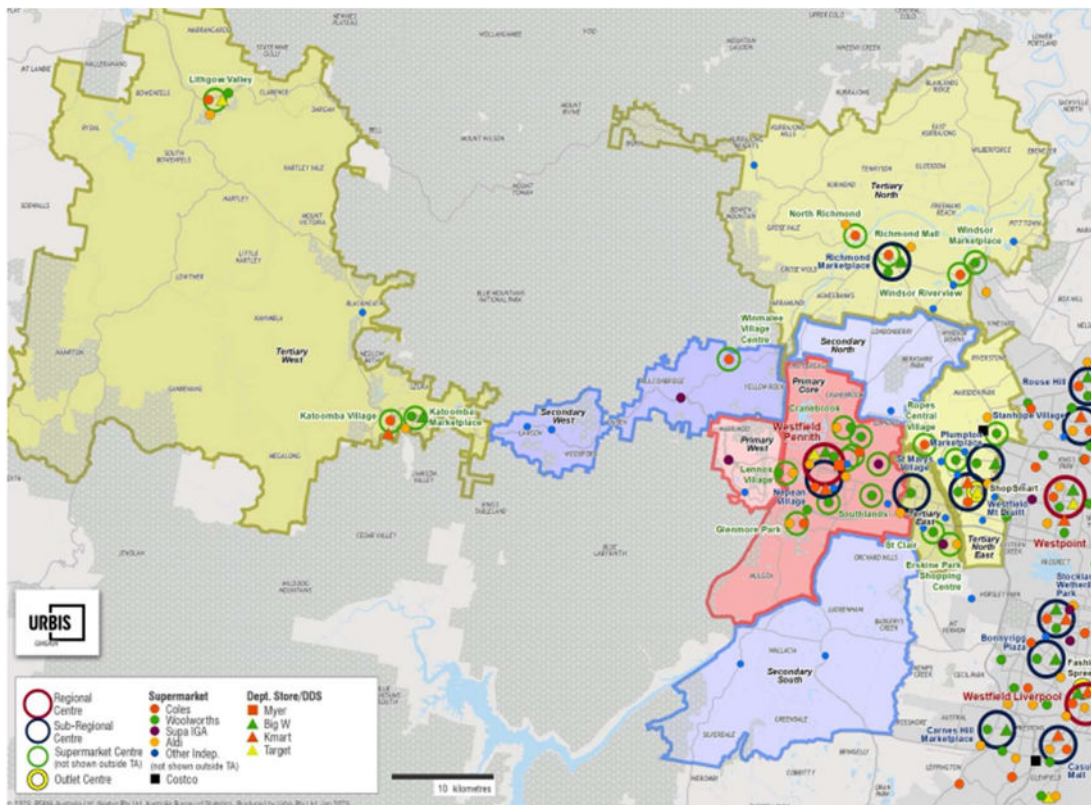
Table 2-5 Location IQ supermarket floor space demand and supply, 2019-2031

Main Trade Area	2019	2022	2026	2031
Population	36,500	36,810	37,170	37,620
Supportable Smkt GLA (sq.m)*	9,600	9,681	9,776	9,894
Current & Proposed Smkt GLA (sq.m)**	4,378	8,078	8,078	8,078
Indicative Under/Over supply (sq.m)	5,222	1,603	1,698	1,816
City of Blue Mountains LGA				231
Sydney Average				263
Australian Average				346

** Allows for all main trade area supermarkets as well as the opening of Woolworths (3,900 sq.m) at the Springwood site by 2022.
* At Sydney benchmark of 263 sq.m per 1,000 persons.
Supermarkets defined as 500 sq.m or larger.

Source: Location IQ (2019)

Figure 2-2 Westfield Penrith Trade Areas



Source: www.scentrengroup.com

In reality, demand from Springwood, Winmalee, Lawson and Hazelbrook will be satisfied by both centres within Location IQ's trade area and centres outside those trade areas. Residents of Winmalee are likely to have their supermarket shopping needs met by supermarkets located within the identified trade areas, as well as supermarkets at Richmond and Penrith. Lawson and Hazelbrook within the Secondary West trade area are located approximately halfway between Springwood and Katoomba / Leura. Even if the proposed Woolworths were approved and developed, many residents from the Secondary West trade area will undertake their supermarket shopping at Katoomba and shopping across Coles, Woolworths and Aldi, as well as bypass Springwood to access supermarkets at Emu Plains or Penrith. Location IQ tacitly acknowledge this issue when considering retained supermarket expenditure in their assessment of supermarket sales potential (their Table 4.1). At Table 4.1, Location IQ suggests with the introduction of the proposed supermarket, trade area supermarkets could retain the following share of supermarket demand from each trade area:

- + Primary trade area: 72.5%;
- + Secondary East trade area: 72.5%; and
- + Secondary West trade area: 15%.

Table 2-6 below takes the Location IQ analysis and updates it to recognise the revised population estimates and projections as well as to recognise that not all floor space demand is met locally, particularly when there are proximate higher and/or alternative order centres.

Table 2-6 adopts Location IQ's supermarket floor space demand per capita rate (0.263 sqm/person) and the demand retention assumptions (after the proposed development is introduced to the centres network) from Location IQ's Table 4.1. Table 2-6 demonstrates that the retained supermarket floor space demand across Location IQ's trade areas is more likely in the order of 5,224 sqm-5,249 sqm, if consideration is given to competition for floor space demand from centres in Katoomba, Penrith and to a lesser extent Richmond.

Table 2-6 Alternative assessment of supermarket floor space demand having regard to plausible demand retention

	%	2021	2023	2026	2031
Population					
Primary		14,498	14,502	14,580	14,582
Secondary					
East		9,731	9,731	9,787	9,788
West		11,481	11,512	11,637	11,637
Total Secondary		21,212	21,243	21,424	21,425
Main Trade Area		35,710	35,745	36,004	36,006
Gross supportable floor space (0.268sqm/person) (sqm)					
Primary		3,813	3,814	3,835	3,835
Secondary					
East		2,559	2,559	2,574	2,574
West		3,020	3,028	3,061	3,061
Total Secondary		5,579	5,587	5,634	5,635
Main Trade Area		9,392	9,401	9,469	9,470
Retained supermarket floor space demand (sqm)					
Primary	72.5%	2,764	2,765	2,780	2,780
Secondary					
East	72.5%	1,855	1,855	1,866	1,866
West	20.0%	604	606	612	612
Total Secondary	44.1%	2,459	2,461	2,478	2,478
Main Trade Area	55.6%	5,224	5,226	5,258	5,259

Source: Bull & Bear Economics (2025)

2.5 Impact Assessment

Location IQ prepare an analysis of anticipated trading impacts at their Table 4.3 (extracted below as Table 2-7). This analysis needs to be updated to reflect changes in the estimated resident population and the consequently lower population projections. Setting that issue aside for the time being, there are also other notable issues with the impact assessment. The proposed development is anticipated by Location IQ to achieve a turnover of ~\$47.0 million, this represents the gross impact on the centres network. Centre level impacts are estimated by distributing this trading impact across the centres network.

Table 2-7 Location IQ trading impact assessment, 2019-2022

	Unit	Estimated 2019	Projected 2022		Impact 2022	
			Pre Dev.	Post Dev.	\$M	%
Springwood Site	\$M	<i>n.a.</i>	<i>n.a.</i>	48.0	<i>n.a.</i>	<i>n.a.</i>
Regional Centres						
Penrith	\$M	1,018.3	1,054.7	1,047.8	-6.8	-0.6%
Sub-regional Shopping Centres						
Katoomba	\$M	184.3	190.1	184.2	-5.8	-3.1%
Supermarket Based Shopping Centres						
Springwood	\$M	65.4	67.4	59.6	-7.8	-11.5%
Winmalee	\$M	77.0	79.4	66.3	-13.1	-16.5%
Blaxland	\$M	55.9	57.7	53.3	-4.3	-7.5%
Hazelbrook	\$M	11.0	11.3	10.4	-0.9	-8.0%
Lennox Village	\$M	119.0	122.7	117.8	-4.9	-4.0%
Lawson	\$M	12.1	12.5	11.5	-1.0	-8.0%

*Thornton Central and ESQ 1818 assumed to be trading for a full year by FY2022

Source: Location IQ (2019)

The distribution of impacts is influenced by:

- + The extent of overlap of trade areas between a proposed development and an impacted centre; and
- + The market penetration of the proposed development and the market penetration of the impacted centre (as influenced by proximity and accessibility).

While we would accept that a significant proportion of the proposed development's trade would be redirected from the Winmalee centre (most notably from the Coles), we would expect more than 16.3% of the proposed development's trade to come from Springwood (most notably from Lloyd's IGA).

Table 2-8 Location IQ's distribution of impacts, 2022

Centre	Impact, \$ million	Distribution of impact (%)
Penrith	6.8	14.2%
Katoomba	5.8	12.1%
Springwood	7.8	16.3%
Winmalee	13.1	27.3%
Blaxland	4.3	9.0%
Hazelbrook	0.9	1.9%
Lennox Village	4.9	10.2%
Lawson	1.0	2.1%
Other centres	3.4	7.1%
Total	48.0	100.0%

Source: Bull & Bear Economics (2025)

If we were to accept Location IQ's distribution of impact we do not accept their conclusion that the impact would be a little consequence to the Springwood centre. The vast majority (>80%) of the trading impact on the Springwood centre would be felt by Lloyd's IGA. Assuming Lloyd's LGA sustained only 80% of the Springwood trading impact, the loss of trade (~\$6.24 million) would

represent a fall in trading levels equal to ~\$6,117/sqm. This would be sufficient to make even a strongly performing supermarket fail.

IGA supermarkets provide a real point of difference to Coles and Woolworths. IGA store managers have far greater latitude to tailor range and category mix to the needs of their local communities, as well as frequently offering brands and products which struggle to find shelf space in major supermarkets. The loss of Lloyd's IGA would represent a loss of a Springwood centric product offer in favour of a nationally category managed supermarket.

2.6 Summary

The Location IQ ENIA is now very much out of date and needs to be updated to reflect new data and circumstances. Our analysis indicates that the supermarket floor space shortfall within Location IQ's trade area is significantly lower than Location IQ contends. While there is need for additional supermarket floor space within Springwood, that need is more akin to an incremental expansion rather than a new full line supermarket. We are also of the view that Location IQ have understated the dollar impacts of the proposed development on the Springwood centre and have downplayed the consequence of impacts on the centre, by ignoring the fact that Lloyd's IGA will bare the brunt of trading impacts within Springwood.

3 Economic Analysis of Supermarket Need

A key issue with the Location IQ report is it largely ignores the implications of the proximity of Springwood to higher order centres to its east, and the role and function of Katoomba within Blue Mountains.

3.1 Supermarket Provision within Blue Mountains LGA

Within Blue Mountains LGA, supermarket provision is concentrated within the Katoomba-Leura SA2, which hosts ~11,910 sqm of supermarket floor space, including:

- + Woolworths (Katoomba) – 4,000sqm;
- + Woolworths (Leura) – 1,900sqm;
- + Coles (Katoomba) – 4,660 sqm; and
- + Aldi (Katoomba) – 1,350sqm.

The 2023 population of the Katoomba-Leura SA2 was ~13,360 persons, meaning supermarket floor space provision within the Katoomba-Leura SA2 is ~0.891 sqm per person more than three times the Sydney metropolitan provision rate. This occurs because Katoomba serves a catchment greater than the Katoomba-Leura SA2. Based on a broader area that comprises the western half of the Blue Mountains (including Katoomba-Leura, Blackheath-Megalong Valley, Wenworth Falls and Lawson-Hazelbrook-Linden SA2s) with a 2023 population of 37,034 persons, the supermarket floor space provision is ~0.322 sqm per persons, well above the Sydney metropolitan average. This demonstrates the consequence of centre hierarchies and the importance of not considering trade areas in isolation from the centres network which serves them. The Blue Mountains LGA has a supermarket floor space provision of ~0.232 sqm per person (based on ~18,248 sqm of supermarket floor space and a 2023 LGA population of 78,446 sqm). Supermarket floor space provision in the eastern parts of the Blue Mountains LGA is significantly lower than that in the western part of the LGA. This arises because of the higher order functions of centres just outside Blue Mountains LGA, namely Lennox Village, Penrith and to a lesser extent Richmond.

The supermarket floor space provision rate for the Springwood-Winmalee SA2 is ~0.198 sqm per person (based on ~4,378 sqm of supermarket floor space and a 2023 population of 22,066 persons). This is ~75% of the Sydney metropolitan average provision rate. Being an average, some places will have higher provision levels and other places will have lower provision levels. With Springwood being part of the trade area of higher order centres at Lennox Village and Penrith, a lower than average provision rate at the small area level (i.e. Springwood) can be expected, in fact it is planned for.

As mentioned in our review of the Location IQ report, the main driver of the need for supermarket floor space as articulated by Location IQ is the allocation of 100% of the supermarket floor space demand generated by Lawson-Hazelbrook-Linden SA2 to Location IQ's main trade area. However, as shown above even when including the Lawson-Hazelbrook-Linden SA2 within the catchment of Katoomba, the provision rate for this western half of the Blue Mountains LGA remains well above the Sydney metropolitan average provision rate.

3.2 Assessing Supermarket Need within Springwood

As mentioned above, assessing the need for additional supermarket floor space within Springwood requires consideration of how Springwood fits into the broader regional centres network and hierarchy. There would be demand which is met by centres outside Springwood's trade areas, including Katoomba, Penrith, Lennox Village and Richmond. The extent to which demand is met by centres outside Springwood's trade area depends on the extent to which Springwood's trade area is overlapped by the trade areas of those other centres.

The trade areas identified by Location IQ are not flawed in and of themselves, however the way they have been applied is flawed in our view. Additional supermarket floor space within Springwood will draw the most trade from the Springwood locality (or the Location IQ Primary trade area), however trade generated by those residents will continue to be directed to other centres, particularly those to the east. The same can be said for Winmalee. The Lawson - Hazelbrook – Linden trade area will trade directed to Springwood, Katoomba, Penrith and Lennox Village.

Table 3-1 below considers the supermarket floor space demand that could reasonably be retained within Springwood, Winmalee and the Lawson-Hazelbrook-Linden under alternative scenarios at 2031. Scenario 1 adopts consistent retention assumptions with the Location IQ expenditure analysis, while scenario 2 assumes a higher level of retention. Table 3-1 indicates that the retained supportable floor space demand within the three trade areas would be between 5,259 sqm and 5,732 sqm. This compares with existing supermarket provision of 4,928 sqm, suggesting a shortfall in the order of 331 sqm to 834 sqm. This highlights that the proposed Woolworths supermarket is more than double the shortfall in Scenario 2. It would be appropriate to include an allowance for non-trade area derived sales, which for a supermarket in Springwood is likely to be between 5% and 10%, noting Location IQ adopt 7.5%. Based on 7.5%, non-trade area derived sales the shortfall increases to 755 sqm and 1,264 sqm depending on scenario. This is far short of the proposed 3,490 sqm (based on a trade area and non-trade area demand of 5,653 sqm to 6,334 sqm).

Table 3-1 Retained supermarket floor space demand, 2031

	Springwood (PTA)	Winmalee (SETA)	Lawson - Hazelbrook - Linden (SWTA)	Total
Population	14,582	9,788	11,637	36,006
Gross supermarket floor space demand (sqm)	3,835	2,574	3,061	9,470
Retention assumptions				
Scenario 1	72.5%	72.5%	20.0%	55.5%
Scenario 2	77.5%	77.5%	25.0%	60.5%
Retained supermarket floor space demand (sqm)				
Scenario 1	2,780	1,866	612	5,259
Scenario 2	2,972	1,995	765	5,732

Source: Bull & Bear Economics (2025)

3.3 Understanding Impact

As mentioned earlier, impact of a new supermarket is a function of the extent to which the new supermarket's trade area overlaps with the trade area of existing supermarkets and the respective market penetrations of existing supermarkets and the proposed supermarket. However, what Table 3-1 demonstrates above is that Springwood can only support a further 1,275 sqm to 1,784 sqm of additional supermarket floor space, while the proposed supermarket is 3,490 sqm. This means from an impact perspective that the market is not large enough to support both the existing and proposed supermarket floor space within the identified trade areas. This means some supermarket floor space will be displaced. The full line supermarket at Winmalee is owned and operated by Coles (3,358 sqm) and the proposed 3,490 sqm supermarket will be owned and operated by Woolworths. Combined the two supermarket majors would supply ~6,848 sqm. The Lloyd's IGA is ~1,020 sqm. Woolworths and Coles are backed by large internal capital markets and nation wide sales to weather weak trading conditions at the local level, while IGA's are independently owned. The most likely scenario from an impact perspective is the failure of Lloyd's IGA as Coles and Woolworths absorb temporarily poor trading conditions until Lloyd's IGA exits the market. Once Lloyd's IGA closes the two supermarket majors will experience trading levels marginally below their respective portfolio averages, but will have secured further market share within Blue Mountains LGA.

A key step in understanding impact is to estimate the anticipated turnover of the proposed development based on anticipated market share and then explore how that turnover might be redistributed from existing retailers/centres.

As mentioned above, the Location IQ report submitted with the development application was prepared in 2019 and there have been significant changes in that time.

Table 3-2 below reports the retail expenditure per capita by retail expenditure category for each of the identified trade areas based on Bull & Bear Economics retail expenditure model.

Table 3-2 Retail expenditure per capita by retail category, 2023

	Springwood	Winmalee	Lawson - Hazelbrook - Linden
Food, liquor & groceries	\$6,552	\$6,401	\$6,066
Food catering	\$2,844	\$2,700	\$2,342
Apparel	\$1,885	\$1,832	\$1,637
Household Goods	\$2,889	\$2,837	\$2,623
General retail (including retail services)	\$3,476	\$3,414	\$3,156
Total	\$17,621	\$17,129	\$15,678

Source: Bull & Bear Economics (2025)

The pool of available supermarket expenditure is derived based on consideration of food, liquor and grocery expenditure per capita with allowance for real retail expenditure growth of 0.5% per annum. Supermarkets in New South Wales capture in the order of 65% to 70% of food, liquor and grocery expenditure. For the purposes of this analysis the higher end of the range (70%) is adopted. Supermarkets also capture a small proportion (~6%) of their trade as general merchandise sales, which has also been factored in to generate a supermarket expenditure per capita estimate, which is in turn multiplied by trade area(s) population.

The total available supermarket expenditure within the combined trade areas is estimated at ~\$169.15 million in 2023 increasing to \$177.31 million.

Table 3-3 Available supermarket expenditure, 2023-2031

	2023	2026	2031
Population			
Springwood	14,502	14,580	14,582
Winmalee	9,731	9,787	9,788
Lawson - Hazelbrook - Linden	11,512	11,637	11,637
Food, liquor & grocery (FLG) expenditure per capita			
Springwood	\$6,552	\$6,651	\$6,819
Winmalee	\$6,401	\$6,498	\$6,662
Lawson - Hazelbrook - Linden	\$6,066	\$6,158	\$6,313
FLG expenditure per capita captured by supermarkets			
Food, liquor & grocery (FLG) expenditure per capita			
Springwood	\$4,587	\$4,656	\$4,773
Winmalee	\$4,481	\$4,549	\$4,663
Lawson - Hazelbrook - Linden	\$4,246	\$4,310	\$4,419
Plus allowance for general merchandise sales (6% of available supermarket expenditure)-Supermarket expenditure per capita			
Springwood	\$4,879	\$4,953	\$5,078
Winmalee	\$4,767	\$4,839	\$4,961
Lawson - Hazelbrook - Linden	\$4,517	\$4,586	\$4,701
Available supermarket expenditure (\$m)			
Springwood	\$70.76	\$72.21	\$74.04
Winmalee	\$46.39	\$47.36	\$48.56
Lawson - Hazelbrook - Linden	\$52.00	\$53.36	\$54.71
Total	\$169.15	\$172.93	\$177.31

Source: Bull & Bear Economics (2025)

The next step is to estimate the performance of the proposed supermarket based on market share analysis. A market share analysis for the proposed supermarket was not provided within the Location IQ report. Also, since the Location IQ report was prepared the benchmark turnover density (\$/sqm) of supermarkets in NSW has increased significantly to ~\$15,000/sqm.

Table 3-4 below provides a market share analysis for the proposed supermarket, with the supermarket anticipated to achieve a market share of ~45% within the Springwood -Primary trade area; 20% within the Lawson-Hazelbrook-Linden (Secondary West trade area); and ~10% from the Winmalee (Secondary East) trade area. It is also assumed that the supermarket will generate ~7.5% of its trade from non-trade area residents (e.g. visitors, non-resident workers and passing trade). This indicates a turnover of ~\$58.6 million in 2026 increasing to \$60.0 million in 2031, indicating a turnover density of ~\$14,823/sqm increasing to ~\$15,198/sqm.

Table 3-4 Market share analysis of proposed supermarket, 2026-2031

	%	2026	2031
Market share analysis			
Springwood	45.0%	\$32.5	\$33.3
Winmalee	10.0%	\$7.2	\$7.4
Lawson - Hazelbrook - Linden	20.0%	\$14.4	\$14.8
Subtotal	31.3%	\$54.2	\$55.5
Non-trade area turnover	7.5%	\$4.4	\$4.5
Total turnover		\$58.6	\$60.0

Source: Bull & Bear Economics (2025)

As stated above the impact assessment of the proposed supermarket should consider the interaction between the market share of existing retailers within or serving the identified trade areas and the anticipated market share of the proposed development. This means that the scale of impact in dollar terms will be greatest for those centres and retailers with similar trade areas to the proposed development. Winmalee and Springwood are the main centres that serve the identified trade areas and consequently are the centres which will sustain the most significant impact. The impact analysis in Table 3-5 below indicates Springwood is anticipated to sustain impacts of ~\$14.8 million with trade being primarily redirected from Lloyd's IGA and other fresh food retailers within Springwood to the new Woolworths. Similarly, Winmalee will sustain an impact of ~\$14.5 million, with trade being primarily redirected from the Coles at Winmalee to the new Woolworths at Springwood. In terms of percentage impact on turnover, Springwood is anticipated to see a reduction in turnover of ~18.7% and Winmalee a reduction of ~15.5%. As a general rule of thumb, an impact on turnover of 15% is considered cause for concern. Springwood is not a high growth market and consequently trading impacts are unlikely to be ameliorated quickly.

The issue of impact within Springwood is compounded by the fact that all existing fresh food retailers, whether they be Lloyd's IGA, bakery, international grocer, health food shop or butcher, are independently owned and do not have access to capital to survive a protracted impact on their turnover. To provide further context, there is ~1,620 sqm of fresh food and grocer retailers within Springwood, comprising Lloyd's IGA and ~600 sqm of specialty food retailers. The bulk of the \$14.8 million trading impact on Springwood would be sustained by these retailers. For example, if 80% of the Springwood trading impact was sustained by these retailers, the impact on their turnover would be equal to ~\$7,300/sqm. This represents just under half the benchmark turnover productivity of a supermarket (i.e. ~\$15,000/sqm). The consequence of this impact is that a significant amount of the existing fresh food and grocery floor space would no longer be viable and retailers would close, representing a further impact.

Table 3-5 Impact assessment of proposed supermarket, 2026

Centre	Est. Turnover (\$M)	Projected Turnover		Impact, 2026	
		Pre Dev	Post dev	\$M	%
	2023	2026	2026		
Proposed supermarket	-	-	\$58.6		
Regional Centres					
Penrith	\$1,244.5	\$1,356.6	\$1,350.3	\$6.2	0.5%
Sub-regional centres					
Katoomba	\$203.4	\$215.6	\$211.3	\$4.3	2.0%
Local centres					
Leura	\$63.8	\$68.0	\$65.4	\$2.6	3.8%
Springwood	\$75.5	\$79.3	\$64.4	\$14.8	18.7%
Winmalee	\$88.9	\$93.4	\$78.9	\$14.5	15.5%
Blaxland	\$64.6	\$67.9	\$63.6	\$4.3	6.3%
Hazelbrook	\$12.7	\$13.3	\$12.0	\$1.3	9.7%
Lennox Village	\$141.1	\$151.7	\$147.2	\$4.5	3.0%
Lawson	\$14.0	\$14.7	\$13.5	\$1.2	8.4%
Other	-	-	-	\$4.9	

Source: Bull & Bear Economics (2025)

4 Summary

We have significant concerns about the currency and accuracy of the economic need and impact assessment submitted with the development application. In the first instance the report was prepared in 2019 and is now very much out of date, and secondly the report does not assess the supermarket development as proposed.

We also are of the view that the economic need and impact assessment submitted with the development application significantly overstates the capacity of the identified trade areas to accommodate additional supermarket floor space. This is due to new supermarket floor space being identified (e.g. Woolworths Leura, expanded IGA at Lawson) and the application report not adequately considering what quantum of supermarket floor space can reasonably be retained by the trade areas. We also believe that the impact of the proposed development on Springwood (and particular Springwood retailers) has been understated.

While we agree that there is need for additional supermarket floor space within Springwood, we estimate this need to be no more than ~1,254 sqm. This indicates to us that the proposed development is an over-development on the subject site.