



L E Y S H O N C O N S U L T I N G

Suite 1106 Level 11
109 Pitt Street, Sydney
NSW Australia 2000

Telephone 61 2 9224 6111
Facsimile 61 2 9224 6150
ABN 12 003 203 709

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6 September, 2007

The General Manager
Wyong Shire Council
PO Box 20
WYONG NSW 2259

Attention: Ms Emily Anderson
Senior Development Planner
Major Applications

Dear Ms Anderson

**RE: REVIEW of ECONOMIC IMPACT ASSESSMENT REPORT for the
PROPOSED EXPANSION of WESTFIELD TUGGERAH SHOPPING
CENTRE**

The purpose of this letter is to provide comment to Council on an Economic Impact Assessment (EIA) report (*Westfield Tuggerah Economic Impact Assessment, June 2007*) prepared by consultants urbis for Westfield Limited in relation to the proposed expansion of the Westfield Tuggerah shopping centre.

Background

The proposed expansion involves the addition of approximately 16,405 sq.m. of floorspace to Westfield Tuggerah by 2010. The major component of this expansion is the addition of a Kmart discount department store (DDS) of some 6,720 sq.m.. The proposal also involves the addition of 5,048 sq.m. of retail specialties and 4,037 sq.m. of so-called mini-majors.

Trade Area

The trade area identified in the urbis report for the existing Westfield Tuggerah centre appears reasonable. The definition of the trade area is based on customer surveys and broadly accords with the trade area of Westfield Tuggerah previously defined by Leyshon Consulting in its retail strategy review work undertaken for Council.

Population Growth

The population growth which urbis project for the trade area between 1991-21 is set out in their Table 2.3. The Main Trade Area (MTA; that is, primary plus secondary trade areas) population is forecast to increase from 149,000 persons in 2006 to 215,047 persons in

2021. The assumed growth rate ranges between +1.1% and +1.4% per annum during this period which is consistent with recent population growth trends.

The projections take into account recently released data from the Australian Bureau of Statistics (ABS) with respect to the projected growth in the estimated resident population of the New South Wales' Central Coast between 2001-06, recent projections by the Department of Planning and projections prepared for Council by ID consulting.

We consider the population projections set out in the urbis EIA are acceptable.

Available Retail Spending

As Council is aware, a considerable difference of opinion exists between Leyshon Consulting and urbis about existing per capita levels of retail spending in the Wyong area. In summary, urbis contend Leyshon Consulting significantly under-estimates per capita spending (by about 30%) in its *Retail Centres Strategy Review* study. We stand by those estimates and consider urbis significantly over-estimates per capita retail spending in the Wyong region.

urbis contend that (Table 2.5 page 19 refers) average annual retail spending in the Wyong MTA is some \$9,973 per capita per annum (\$2006). This is equivalent to \$26,137 per household per annum in 2006 based on the urbis estimate of average household size in the area.

To sustain the level of retail spending cited by urbis we estimate (based on data from the ABS's 2003-04 Household Expenditure Survey [HES]) that MTA households would need average annual incomes in 2006 in the order of \$62,250 per households. According to ABS 2006 Census data, however, the median household income for Wyong LGA was only some \$40,040 per household per annum in 2006.

We recognize that the median income for a given area can differ quite substantially from its average income. Nevertheless, we consider it highly unlikely that the average income of Wyong LGA households in 2006 would be +\$22,000 per annum **above** the area's median income. On this basis, we are firmly of the view that urbis over-estimates available retail spending in Wyong by a considerable margin.

Findings of Retail Centres Strategy

Notwithstanding the above Council will recall that the draft final report of the *Wyong Shire Retail Centres Strategy Review* study completed by ourselves in February 2007 recommended an overall increase in floorspace for Westfield Tuggerah between 2006-31 of some 32,000 sq.m.. Between 2011-16, an increase of 15,000 sq.m. in the Westfield Tuggerah centre was considered to be supportable.

Prima facie, therefore, the current proposal for an expansion of the Westfield Tuggerah centre by some 16,000 sq.m. in 2010 does not appear unreasonable in the context of the retail floorspace expansion recommendations made in the Strategy Review study.

Provision of Discount Department Stores

Notwithstanding the above comments, we nevertheless consider the proposal to incorporate a third DDS (Kmart) as part of Westfield's expansion plans for their Tuggerah centre to be of some concern.

To our knowledge there are only a limited number of shopping centres in Australia which contain a department store together with three DDSs. Centres which do have such a configuration of stores include Westfield Southland, Westfield Eastgardens and Westfield Chermerside. All of these centres are located in major metropolitan areas.

The urbis report argues that an appropriate provision of DDSs is one DDS per 40,000 persons. We consider this to be a very optimistic level of provision. By way of comparison we note that both the Queensland Sunshine and Gold Coasts are broadly similar to the Central Coast in terms of their relationship to a major urban area (in this case Brisbane). In particular, the Sunshine Coast has a similar population to the Central Coast. It also has a very similar spatial relationship with Brisbane as does the Central Coast with the Sydney metropolitan area (about 1 ½ hours' drive time). The Gold Coast has one DDS for 46,171 persons while the Sunshine Coast has one DDS for 58,040 persons, however.

In the *Retail Centres Strategy Review* study referred to above, we argued that an appropriate provision for Wyong was one DDS for every 50,000 persons. This still remains our view.

The incorporation of a Kmart DDS as part of the proposed expansion of Westfield Tuggerah would result in there being four DDSs in southern Wyong and one DDS in northern Wyong, at Lake Haven.

The incorporation of an additional DDS at Westfield Tuggerah and a DDS at the proposed Warnervale district centre by 2021 would result in Wyong having six DDSs for a population of around 193,000 persons or a ratio of one such store for every 32,275 persons.

Given the extensive trade area enjoyed by Westfield Tuggerah such a level of provision may be sustainable if the population living in the centre's tertiary trade area (located in Gosford LGA) and part of the secondary "far north" trade area (located in Lake Macquarie LGA) is taken into account. According to the urbis EIA (Table 2.3, page 16 refers) these areas contain a population of approximately 50,000 persons at present.

While we recognise that ultimately the provision of DDSs is a matter for market judgment by the two store operators in Australia (Woolworths and Coles), the addition of a Kmart at Westfield Tuggerah by 2010 may make the feasibility of development of a DDS at Warnervale before 2016 questionable.

In reality, notwithstanding the proposed Kmart at Westfield Tuggerah, it is still likely that Big W will commit to a DDS at Warnervale within the next decade as this will constitute the only opportunity to establish another such store in Wyong LGA within the foreseeable future.

Conclusion

While we consider the urbis EIA report over-estimates the size of the available retail market in the trade area, the expansion of Westfield Tuggerah by 2010 (as is being proposed) appears broadly acceptable from an economic impact perspective. We do not consider that if the proposal proceeds it is likely to lead to significant adverse impacts on existing or proposed centres.

We trust the above is sufficient for your needs at present. If further information is required please contact me on 02-9224-6111 or pdl@leycon.com.au.

Yours sincerely

LEYSHON CONSULTING PTY LTD



**PETER LEYSHON
DIRECTOR.**