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Executive Summary

Key findings from this assessment are summarised below:

- **The impact of rezoning the subject site will be immaterial. The rezoning is appropriate on economic grounds to provide the community with choice and convenience, while preventing economic blight caused by vacant stores.**
- Currently the subject site development is experiencing difficulty in leasing some of the retail space due to a mismatch between market demand (i.e. from real estate agents, insurance agents, solicitors, hairdressers, etc.) and what is currently permissible under GRZ1 (F&B/restaurant uses).
- The trade area served by the centre will be the same with or without the rezoning, with the centre primarily to serve the convenience needs of local residents within 800m - 1km, with further usage by those travelling from beyond that area along the Melton Highway. There is only one other retail centre in the catchment area.
- Based on our analysis of the two different zoning scenarios, the likely outcomes of retail turnover and the market share generated from within the catchment area for the subject site are presented below.
 - **Scenario 1: If the 821-839 Melton Highway site remains under GRZ1 as it is now.** Based on the assumption that all of the 1,015 sq.m of retail floorspace is leased to F&B tenants (Food Catering) as currently permissible, the subject site is forecast to generate from within the catchment an estimated turnover of around \$2.2 million by midyear 2017, representing a market share of approximately 11.9% out of the \$18.8 million total spending on Food Catering within the catchment area. The total retail market share is estimated at around 1.5%.
 - **Scenario 2: If the 821-839 Melton Highway site is rezoned to MUZ.** Based on a 'worst case' scenario whereby all of the floorspace is filled by 'shop' uses (although unrealistic as some of that space has been leased to Food Catering tenants, it allows for calculation of impact in an extreme case), a total of \$3.9 million of turnover is expected to be generated from catchment area residents for the same period, including \$2.2 million from Food Retail and \$1.7 million from Non Food tenants, translating into market shares of 3.3% and 2.8% respectively. This represents an overall catchment area retail market share of around 2.7%.
- Generally, the increase in market share at the subject site development represents the decline in market share of all other retailers that serve the market. The change in market share, therefore, is the equivalent to the average impact on the business that other retailers would otherwise retain from the catchment. Consequently, should rezoning occur, Food Retail and Non Food retailers will experience an average decline of turnover captured from the catchment area of 3.3% and 2.8% respectively even without the rezoning; whereas Food Catering retailers could be around 11.9% better off in terms of business retained from the catchment area residents.
- Overall, the total retail market share loss resulting from the proposed rezoning against the outcome under the current zoning is estimated at just 1.1% (1.5% vs. 2.7%), which also represents the total retail impact on business other retailers capture from within the catchment area. This level of impact is considered immaterial. Although the impact on individual retailers is not a valid consideration in a planning sense, the calculations nonetheless provide an indication of the total dollar impact and effect of any rezoning.
- Our analysis of the likely impacts on the three identified centres, the Hillside Neighbourhood Centre, the Sydenham Roadside Convenience Centre and the Watergardens Town Centre confirms that the proposed rezoning will cause no disturbance to the existing local retail hierarchy.
- Even in the case of Hillside Neighbourhood Centre, the only centre that falls within the catchment and the one expected to be most significantly affected, the impact on the turnover of the centre is estimated at less than 5% (-4.6%) should the rezoning occur.⁶

- **Ultimately, the proposed rezoning will not impact on the role of any centre in the retail hierarchy, while providing residents with convenient access to goods and services that are in demand.**

Introduction

1.1 INTRODUCTION

Knowles Group currently owns the site at 821-839 Melton Highway in Hillside that occupies the parcel on the southeast corner of Melton Highway and Sanctuary Road. Currently zoned as General Residential Zone 1 (GRZ1) with a Development Plan Overlay (DPO1), the site has seen planning permits issued for take-away food, restaurants, service station and car wash, with the service station and car wash now developed and fully operational on the eastern portion of the site, immediately adjacent to the F&B/restaurant premises which is under construction and nearing completion with a total GLA of approximately 1,015 sq.m.

Despite strong enquiry from local businesses on the retail space, there appears to be a mismatch between the likely market demand (i.e. the more generic retail and commercial space) and what the current land use would allow for (i.e. F&B/restaurant), resulting in difficulty in leasing the premises, in particular the larger shop spaces fronting Sanctuary Road. Therefore, a rezoning to Mixed Use is now sought to accommodate a wider range of retail and commercial purposes that are prohibited under GRZ1.

In discussions around the potential of rezoning, some concerns were raised by the City of Melton Council in regard to the potential impact on local retail hierarchy as well as other economic impacts should the rezoning occur and the space be leased to a wider range of 'shop' uses other than the take away food or restaurant.

Urbis has therefore been asked to undertake an assessment of the likely impact that the rezoning might have on the existing local retail hierarchy as well as the local community more generally.

1.2 REPORT STRUCTURE

The remainder of this report is structured as follows:

- **Section 1** reviews the current zoning and the proposed rezoning at the 821-839 Melton Highway, Hillside site as well as local characteristics.
- **Section 2** defines the catchment area for the subject site development, assessing key market metrics, including the size and demographic profile of current and future resident population, and retail spending capacity.
- **Section 3** provides an overview of the existing retail hierarchy as specified in the Draft Melton Retail & Activity Centre Strategy to identify the centres that are likely to be impacted by the proposed rezoning at the subject site.
- **Section 4** presents a high level assessment of the likely impacts on total retail spending from within the defined catchment area as well as the indicative impact on retail turnover of individual centres under the current zoning of GRZ1 and the rezoned MUZ land use.
- **Section 5** draws on together the key conclusions from the above analysis in relation to the proposed rezoning at the 821-938 Melton Highway, Hillside site.

2 Local Context

This section provides a brief description of the subject site, the mooted land use rezoning and the characteristics of the local area.

2.1 THE SUBJECT SITE PROPOSED REZONING

Knowles Group currently owns the site at 821-839 Melton Highway in Hillside. The site is bounded by the Melton Highway to the north and Sanctuary Road to the west, with direct vehicle access from both of these roads.

The site is zoned as General Residential Zone 1 (GRZ1) under the current Melton Planning Scheme and is also subject to Schedule 1 to the Development Plan Overlay (DPO1) endorsed by Council in October 2014. The DPO1 allows land use for the purposes of take-away food, restaurants, service station and car wash.

Planning permits have been issued for these land uses, with the service station and car wash now developed and fully operational on the eastern portion of the site. The F&B/restaurant premises under construction and nearing completion, with a total GLA of approximately 1,015 sq.m (see Figure 1).

A number of tenancies have been leased to take away food operators. These have tended to be those spaces fronting the Melton Highway. The larger restaurant spaces fronting Sanctuary Road (Tenancies 6 and 7) have not been able to be leased, despite what has now been an extended leasing period. Despite the difficulty in leasing the space to restaurant operators as allowed under the DPO, there has been strong enquiry from local businesses (i.e. real estate agents, hairdresser, wine shop, etc.) that are uses not allowed under current controls. There appears to be a mismatch between market demand (i.e. the more generic retail and commercial space) and what the current land use would allow for (i.e. F&B/restaurant), resulting in difficulty in leasing the premises. Therefore, a rezoning to Mixed Use is now sought to accommodate a wider range of retail and commercial purposes that are prohibited under GRZ1.

2.2 LOCAL CHARACTERISTICS

The site at 821-839 Melton Highway, Hillside occupies the parcel on the southeast corner of Melton Highway and Sanctuary Road roundabout, immediately adjacent to United Petroleum's Hillside petrol station and car wash. The site is well serviced by the Highway and Sanctuary Road, with direct access from both of these roads (Map 2.1).

The suburb of Hillside, which forms part of Melbourne's Outer West growth area, has expanded. Key characteristics of the site and the wider local area are summarised below.

- The subject site is currently located close to the western edge of the urban area.
- The area has experienced solid population growth driven by greenfield property development within the catchment area defined in the next section and new housing continues to be developed in the Aspire Estate to the south of the subject site.
- The area is bounded by Melbourne's Urban Growth Boundary (UGB) in the north. Future urban expansion therefore will extend further to the south west, particularly in the Plumpton PSP which is expected to be approved shortly. Residential development here will increase the size of the market available to retail facilities.

The site is exposed to high volume east-west through traffic on the Melton Highway, making it an arguably ideal location to service stopover commuters for general food and drinks needs. However, Knowles Group have confirmed that the only interest in the tenancies not fronting the highway has been from other shop tenants, such as real estate agents, insurance agents, solicitors, hairdressers, etc., indicating a potential mismatch between market demand and what is currently permissible.

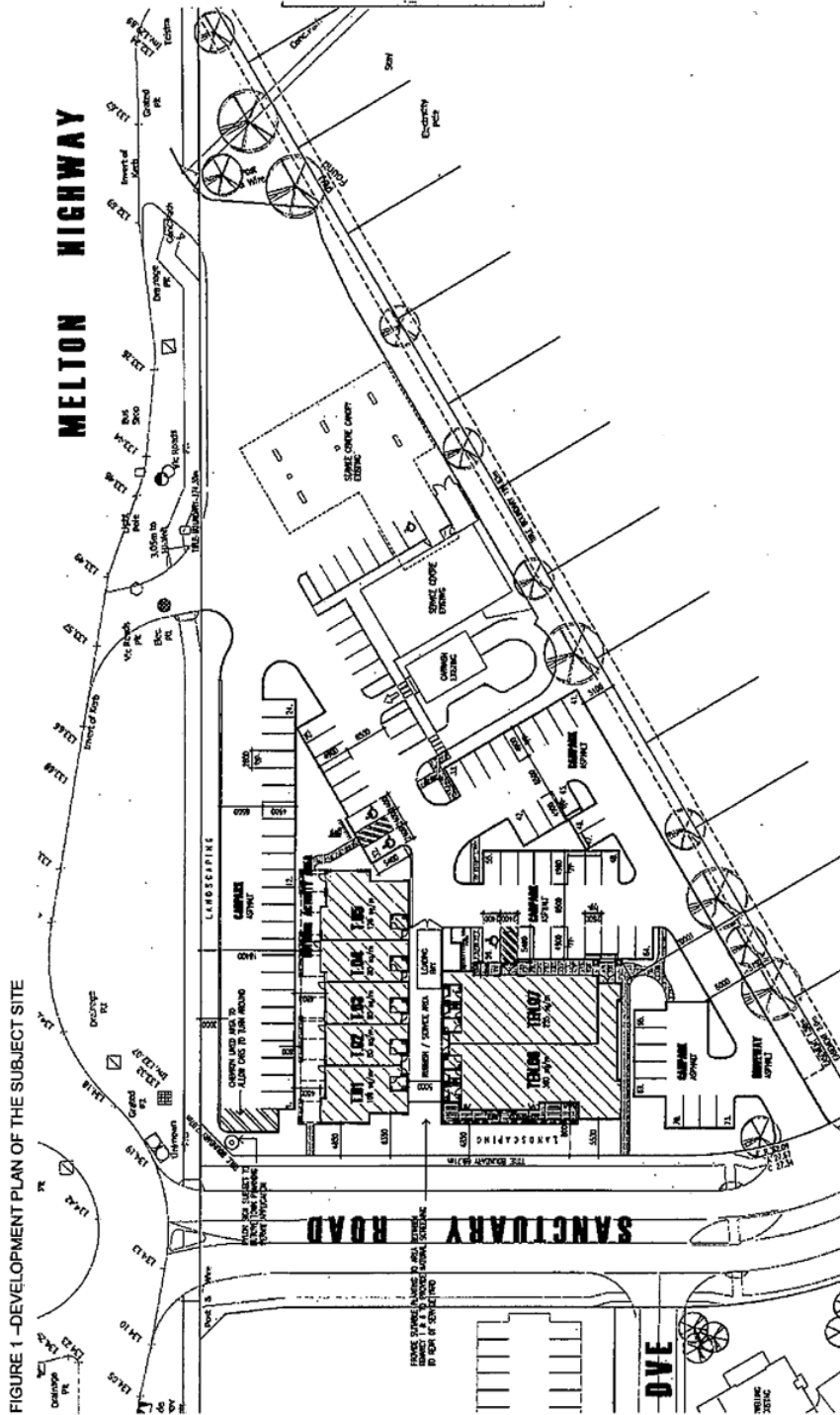


FIGURE 1 - DEVELOPMENT PLAN OF THE SUBJECT SITE

URBIS
821_539 MELTON HIGHWAY HILLSIDE MAY 2016_V2

LOCAL CONTEXT 3

3 Catchment Area Market

This section defines the catchment area from which the development at the subject site is expected to draw the majority of its business. An assessment of the available market is then carried out by looking at local population growth and retail spending capacity, providing the basis against which the economic impact of the proposed rezoning is assessed.

3.1 CATCHMENT AREA DEFINITION

The catchment area defined for this study is shown in Map 2.1 overleaf. The limited range of the catchment reflects the nature of the subject site development as a roadside convenience style retail offer servicing a relatively small local market base. It also suggests that as a centre fronting a major highway it is expected to capture a significantly larger share than typical of business from beyond the catchment area (i.e. commuters, travellers, etc. along the Melton Highway). This is appropriately allowed for in the analysis to follow.

3.2 RESIDENT POPULATION

The estimated resident population and the forecast growth within the catchment area over the period to 2026 is summarised in Table 2.1.

Key points to note include:

- According to the 2011 ABS Census data, there were approximately 8,400 people in the catchment area.
- Driven by large scale greenfield property development, the area recorded rapid population growth in recent years. Local resident population is forecast to reach around 11,500 people in 2016, translating to an annualised rate of 6.5% on average or around 620 people per annum for the past five years.
- As developable land within the catchment area is soon to be exhausted, population growth is expected to slow down to around 3.7% per annum for the next five years to 2021, stabilising at a capacity of around 12,000 people.

Estimated Resident Population

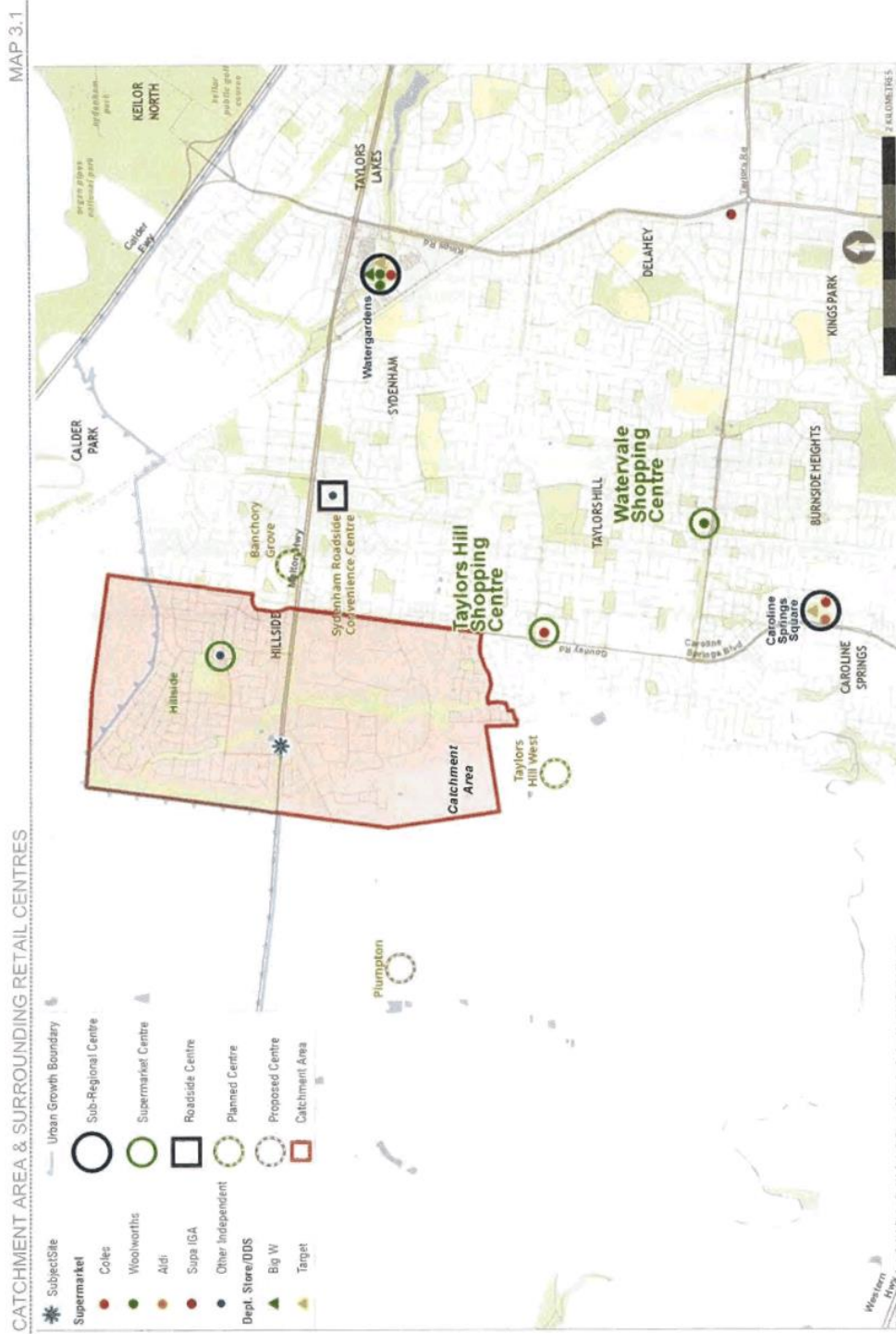
CATCHMENT AREA, 2011-2026

TABLE 3.1

	2011	2016	2021	2026
Population	8,390	11,480	12,080	12,130
Annual Population Growth		11-16	16-21	21-26
Number		618	120	10
Percentage		6.5%	3.7%	0.1%

1 As at December 31

Source: ABS - Victorian Future 2016, SA Fi Forecast id 1416



CATCHMENT AREA MAP/PART 5

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821_839 MELTON HIGHWAY HILLSIDE MAY 2016_VZ

3.3 DEMOGRAPHIC PROFILE

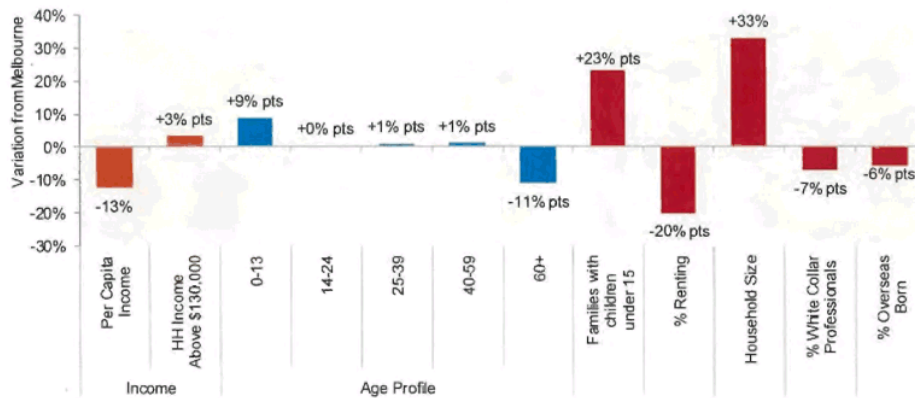
Chart 2.1 below compares key demographic characteristics of residents within the catchment area with Greater Melbourne averages, based on the 2011 ABS Census data.

Key insights from the analysis are summarised as follows:

- **Lower average per capita income.** Residents within the catchment area recorded a lower per capita income compared to Greater Melbourne average (13% lower). However, there was a higher proportion of households with an income of above \$130,000 (3 percentage points higher), in part due to the inclusion of the Sugar Gum estate, with its large family homes within the catchment.
- **Younger age profile.** Catchment area residents were skewed toward a younger age profile, with the proportion of residents aged between 0-13 being 9 percentage points above the Greater Melbourne average and those above the age of 60 around 11 percentage points lower.
- **Significantly larger size households with a higher proportion of families with young children.** Household size is significantly larger (33% higher), reflecting more family households with young children (51% vs. 28% for Melbourne).

Key Demographic Characteristics
CATCHMENT AREA RESIDENTS, 2011

CHART 3.1



Source: ABS 2011

More detailed data on local demographics can be found in the Appendix.

3.4 CATCHMENT AREA RETAIL SPENDING

This subsection looks at total retail spending from catchment area residents, taking into account both population growth and per capita spending growth.

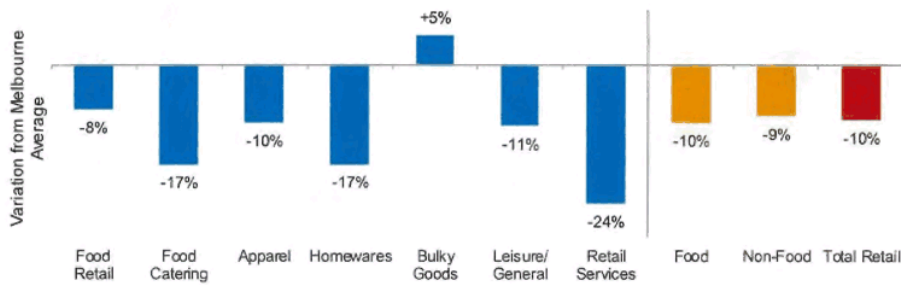
3.4.1 PER CAPITA RETAIL SPENDING

Chart 2.2 compares per capita retail spending by product group and the variations from Melbourne average in 2011. Key points to note include:

- Generally, per capita retail spending for catchment area residents is considerably lower than Greater Melbourne average (10% lower).
- Spending on Retail Services recorded the most significant variation from Greater Melbourne average (24% lower), followed by Food Catering, Homewares (both 17% lower) and Leisure/General (11% lower) and Apparel (10%).
- Food Retail spending was 8% below benchmark, although comparatively closer to Greater Melbourne average. Bulky Goods was the only sector that registered an above average spending level (5% higher).

The overall lower than average per capita spending level indicates the relatively lower per capita income levels of catchment area residents. However, due to the large number of children in the area which constrains per capita spending estimates, household expenditure is still significant.

Per Capita Retail Spending
CATCHMENT AREA VARIATION FROM MELBOURNE AVERAGE, 2011 CHART 3.2



Source: ABS, Melbourne 2015, URBIS

3.4.2 TOTAL RETAIL SPENDING

In forecasting total retail spending of catchment area residents, we have taken into account the population growth, as well as per capita spending. Table 2.3 presents forecast on total retail spending by product group within the catchment area from 2016 to 2021.

- The total catchment area retail market in 2016 is estimated at around \$144 million.
- Going forward, retail spending generated by catchment area residents is forecast to grow steadily to up to \$161 million by 2021 in constant 2016 dollar terms inclusive of GST. This represents an annualised growth rate of 2.3% over the next five years.

Total Retail Spending Forecast by Product Group

CATCHMENT AREA RESIDENTS, CONSTANT \$M2016 INCL. GST

TABLE 3.2

	Food Retail	Food Catering	Apparel	Home-ware	Bulky Goods	Leisure/General	Retail Services	Total Retail	Annual Growth	= Pop Growth	+ Per Cap Spend Growth
Catchment Area											
2016	64.8	18.1	14.4	10.3	17.7	13.9	4.3	143.5			
2017	66.8	18.8	14.8	10.7	18.3	14.2	4.4	148.0	3.1%	1.7%	1.4%
2018	68.5	19.5	15.0	10.9	18.7	14.5	4.5	151.6	2.4%	1.2%	1.2%
2019	70.0	20.0	15.2	11.2	19.1	14.8	4.6	154.9	2.2%	0.9%	1.2%
2020	71.4	20.6	15.4	11.4	19.5	15.0	4.7	158.0	2.0%	0.8%	1.2%
2021	72.8	21.1	15.6	11.6	19.8	15.2	4.7	160.8	1.8%	0.6%	1.2%

Source: ABS Markets 2016-17

4 Local Retail & Activity Centre Hierarchy

This section looks at the current retail hierarchy within the wider local area, taking into account the existing, planned and proposed retail offers, their sizes as well as the likelihood to be impacted by the proposed rezoning of the subject site.

The hierarchy of local retail and activity centres is outlined in the Draft Melton Retail and Activity Centres Strategy in 2013. The centres that are of particular significance within the local area are summarised in Table 3.1 below and are shown earlier in Map 2.1. Note that although Watergardens falls outside of the Melton LGA, it is identified by the Metropolitan Planning Authority (MPA) as a Principal Activity Centre (PAC), the highest order retail offer that services a wide catchment area including Hillside. Planned centres are also shown.

Local Retail & Activity Centres

SUMMARY OF RETAIL FLOORSPACE AND DISTANCE FROM SUBJECT SITE TABLE 4.1

Centre	Status	Centre Type	Retail Floorpace (sq.m)	Distance from Subject Site ¹ (km)	Within Catchment Area
Hillside	Existing	Neighbourhood Activity Centre	1,900	0.9	Yes
Sydenham Roadside	Existing	Local Convenience Centre	1,450	2.2	No
Taylor's Hill	Existing	Neighbourhood Activity Centre	7,530	2.5	No
Watergardens	Existing	Principal Activity Centre	52,500	4.0	No
Watervale	Existing	Neighbourhood Activity Centre	4,500	4.0	No
Caroline Springs	Existing	Major Activity Centre	17,500	4.7	No
Banchory Grove	Planned	Neighbourhood Activity Centre	10,200	1.5	No
Plumpton	Proposed	Major Activity Centre	7,500	2.0	No
Taylor's Hill West	Planned	Local Convenience Centre	900	2.3	No

¹ Direct line distance

Source: Draft Melton Retail and Activity Centres Strategy, Taylor's Hill West © SP, URBIS

Key characteristics and the likelihood of each centre being affected by the proposed rezoning at 821-839 Melton Highway is summarised as follows:

4.1 EXISTING CENTRES

Hillside Neighbourhood Activity Centre is currently the major retail offer dedicated to serving Hillside residents. It has a total retail floorspace of around 1,900 sq.m, including a FoodWorks supermarket and 8 specialty shops. The centre is located on the northwest corner of the Royal Crescent and Wattle Valley Drive roundabout, approximately 0.9 km to the north of the subject site. It is the only centre that falls within the 821-839 Melton Highway catchment.

As stated earlier, the **Watergardens Town Centre** is a PAC, the highest order retail centre within the area, approximately 4km to the east of the subject site. It has in recent years undergone two stages of expansion and currently has a total retail floorspace of around 52,500 sq.m. Stage 3 development is also planned and is likely to occur within the next five years. The centre services an extensive catchment area centred around Sydenham but also attracts shoppers from a wider area, including Hillside. As detailed in the following section, it is expected that the centre will be affected to a very limited extent by the proposed rezoning, given the fact that it serves an entirely different purpose as the highest order retail offer.

Caroline Springs Square Shopping Centre is designated as a Major Activity Centre (MAC), the second highest order centre within the area. It is located approximately 4.7km to the south of the subject site and has a total retail floorspace of around 17,500 sq.m. It is believed the centre will not be materially affected by the proposed rezoning, due to its higher order nature and the largely different catchment served given the distance from Hillside.

Taylor's Hill Village is another Neighbourhood Activity Centre approximately 2.5 km south of the subject site. It consists of a large format Coles supermarket and an array of specialty shops, totalling a retail floorspace of around 7,530 sq.m. Again, the proposed rezoning is expected to have insignificant impact on the centre that services a broader catchment area and serves a different role.

Watervale Shopping Centre is a single supermarket based NAC located around 4 km to the southeast of the subject site, with a total retail floorspace of 4,500 sq.m. The centre is anchored by a full-line Woolworths supermarket and consists of a range of specialty shops. The centre is outside of the subject site's catchment area and impact from the proposed rezoning is expected to be limited.

Sydenham Roadside Convenience Centre is a small scale local convenience style centre located on the southwest corner of Melton Highway and Calder Park Drive, approximately 2.2 km east of the subject site. The centre includes a Caltex petrol station and a Star Mart convenience store, with a freestanding McDonald's located to the west of that store. Further west is a group of shops consisting of a smaller format FoodWorks supermarket with a Bottle Mart included, alongside several food catering shops such as Domino's Pizza, Big Rooster and Seafood, fish and chips shop, etc. It is believed that the centre is the most directly competitive with the Hillside development due to its role and positioning. However, due to its heavy take away food focus, it will be just as greatly, if not more so, impacted by the Hillside development if it remains as a purely F&B centre. This centre will so still draw heavily from beyond the catchment given its highway position.

4.2 PLANNED AND PROPOSED CENTRES

The planned **Banchory Grove Neighbourhood Activity Centre** occupies the vacant site on the corner of the Melton Highway and Banchory Avenue, approximately 1.5 km to the east of the subject site. The site is owned by QIC and has a proposed retail floorspace of around 10,200 sq.m, including a full-line supermarket, an Aldi supermarket and a series of specialty shops. When developed, the centre is expected to have a major impact of the existing retail hierarchy, in particular the nearby Hillside NAC. However, there is currently no indication of when the centre will be developed.

Plumpton Neighbourhood Activity Centre is a proposed local centre designed to service the future Plumpton PSP area. It is allocated a retail floorspace of around 7,500 sq.m in the Council's draft retail planning document and is expected to include a full-line supermarket. Although no information is available in regard to its exact location, the centre is believed to occupy the core of the future PSP area, roughly 2 km to the south west of the subject site. Since it is yet to be developed, it is not possible to assess any potential impact on the centre at this stage.

2.3 km to the south of the subject site, the planned **Taylor's Hill West Local Town Centre** is expected to be a convenience style centre with a retail floorspace in the order of 900 sq.m, providing small format retail offers to the growing Taylor's Hill West PSP area. The centre is designed to provide services to a highly local market base that will emerge as the surrounding population grows. This centre will not be dependent on trade from the Hillside catchment.

5 Economic Impact Assessment

This section presents an assessment of the potential impact on local retail centres resulting from the proposed rezoning on the 821-839 Melton Highway site, along with discussion of other economic effects.

5.1 METHODOLOGY

The methodology employed to assess the trading impact of the proposed rezoning on the subject site on local retail facilities is explained below.

- We have first of all assumed that the development will be fully let and operational by midyear 2016. Therefore FY2016/17 will become the first year of operation as well as the year any impacts are assessed.
- We have estimated retail spending generated by catchment area residents by category in the impact year (Section 2).
- In assessing the likely trading impact of the mooted rezoning on local retail and the wider economy, we have prepared analysis under the following land use scenarios.
 - **Scenario 1:** 821-839 Melton Highway, Hillside remains under GRZ1 land use as is, allowing for Food Catering (i.e. F&B/restaurant) but no other retail uses. It is assumed all space is let, although the owner is having trouble leasing some of the spaces.
 - **Scenario 2:** the site is rezoned to MUZ and therefore allows for a mix of uses. Note that the site will provide a variety of future uses under MUZ. Here we only consider the anticipated worst case scenario whereby all Food Catering users are replaced by other shop users, including Food Retail (e.g. a small supermarket) and Non Food tenants.
- Based on the floorspace we have allocated to each of the retail uses under the two scenarios and the likely average trading level (ATL) likely to be achieved for each of the uses, the turnover performance and the indicative market share for each of the uses within the catchment area are estimated. The turnover generated by 821-839 Melton Highway development and its relative market share will provide the basis on which the impact on trading performance of surrounding centres is assessed.
- A high level assessment of the indicative turnover and market share changes that could occur to each individual centre most likely to be impacted is then carried out. This is based on the principle that if residents choose to direct some of their retail expenditure to the subject site development, they will reduce their expenditure at other centres in a similar proportion to their usage of each centre, reflected by each centre's market share from the catchment area. The impact analysis therefore details the turnover change, or net impact, which is expected for each centre, expressed as a reduction in turnover and as a percentage of the turnover level for the impact year.
- According to our analysis on local retail hierarchy and the relative positioning for each of the centres in Section 3, the Hillside Neighbourhood Activity Centre, the only centre within the defined catchment area, and the Sydenham Roadside Convenience Centre, a highway roadside convenience style centre most similar to the subject site development, are identified as the two centres most likely to be impacted. Impacts are therefore assessed on these centres specifically to demonstrate the upper end of centre impacts. We have also assessed the potential impact on the Watergardens Town Centre, as due to its significant size, a sizeable volume of any new business may be diverted from that centre.

More detailed analysis is presented in the following sub-sections.

5.2 IMPACT ON LOCAL RETAIL

5.2.1 RETAIL SPENDING FORECAST

The forecast on catchment area retail spending by category is summarised in Table 4.1 below, drawing on the analysis presented in Section 2. It is estimated that total retail spending is likely to be around \$148 million in 2017 ending June, in constant 2016 dollar terms inclusive of GST.

Total Retail Spending Forecast by Category

CATCHMENT AREA, CONSTANT \$M2016 INCL. GST

TABLE 5.1

Category	CA Retail Spending (\$M)	
	2016	2017
Food Retail	64.8	66.8
Food Catering	18.1	18.8
Non Food	60.6	62.4
Total Retail	143.5	148.0

1 Year ending June

Source: MarketInfo Urbis

5.2.2 TRADING PERFORMANCE OF SUBJECT SITE DEVELOPMENT

The turnover performance and the indicative market share likely to be achieved under the two land use scenarios are presented in Table 4.2 and 4.3 respectively.

Scenario 1: subject site remains under GRZ1 land use.

Under Scenario 1, we have assumed that all of the 1,015 sq.m of retail floorspace is leased to F&B tenants (Food Catering) as currently allowed for under GRZ1. Possible tenants include takeaway food shops, fast food restaurants, small cafes, etc. Here we have allowed for a relatively lower percentage of the business to come from within the catchment area (40%), given that F&B tenants on a major highway frontage site are more likely to attract business from road users that live beyond the catchment.

As a result, turnover generated from within the catchment is estimated at around \$2.2 million by midyear 2017, representing a market share of approximately 11.9% out of the \$18.8 million total spending on Food Catering within the catchment area. The overall market share is estimated at 1.5%.

Impact under this scenario will be directed solely to Food Catering businesses at other centres.

Scenario 1: All Space Leased to F&B Tenants (GRZ1)

821-839 MELTON HIGHWAY, HILLSIDE, 2017

TABLE 5.2

Category	GLA (Sq.m)	ATL(\$/Sq.m)	Total Turnover (\$M)	Turnover from CA (%)	Turnover from CA (\$M)	CA Market Share (%)
Food Retail	-	-	-	-	-	-
Food Catering	1,015	5,510	5.6	40%	2.2	11.9%
Non Food	-	-	-	-	-	-
Total Retail	1,015		5.6		2.2	1.5%

1 Year ending June

Source: MarketInfo Urbis

Scenario 2: subject site rezoned to MUZ.

Given the potential rezoning would allow a range of shop uses outside of Food Catering, we have assumed an extreme case whereby all of the floorspace is allocated to retail uses other than Food Catering. As some spaces have already been leased to take away food operators, this is not entirely a realistic outcome, but it does allow calculation of a 'worst case' impact. We have allocated 460 sq.m to Food Retail uses. The rest of the 560 sq.m of floorspace is allocated to Non Food uses which would be allowed for under a rezoned Mixed Use scenario. The likely Food Retail tenants include convenience stores/small supermarket, deli shops, butcheries, etc., whereas Non Food uses could go to hairdressers, beauty salons, apparel shops, etc. that are expected to cater to a more local market. We have assumed all uses are retail (i.e. non-retail/services such as real estate agents are excluded).

Given the more local focus of a centre with this mix, business captured from within the catchment area is expected to be higher compared to Scenario 1 and we have assumed this to be 50%. It is estimated therefore a total of \$3.9 million of turnover is expected to be generated from catchment area residents for the same period, including \$2.2 million from Food Retail and \$1.7 million from Non Food tenants, translating into market shares of 3.3% and 2.8% respectively. This represents an overall retail market share of 2.7%.

Under this scenario, impact will be directed to Food Retail and Non Food business respectively at other centres, with limited impacts on Food Catering businesses.

Scenario 2: Space Leased to a Mix of Tenants Excluding F&B (MUZ)

821-839 MELTON HIGHWAY, HILLSIDE, 2017

TABLE 5.3

Category	GLA (Sq.m)	ATL(\$/Sq.m)	Total Turnover (\$M)	Turnover from CA (%)	Turnover from CA (\$M)	CA Market Share (%)
Food Retail	460	9,540	4.4	50%	2.2	3.3%
Food Catering	-	-	-	-	-	-
Non Food	555	6,270	3.5	50%	1.7	2.8%
Total Retail	1,015		7.9		3.9	2.7%

1 Year ending June

Source: MarketInfo Urbis

5.2.3 GENERAL IMPACT

The relative market share likely to be captured by the subject site development under the two scenarios is summarised in Table 4.4 below.

Indicative Market Share

821-832 MELTON HIGHWAY, HILLSIDE, 2017

TABLE 5.4

Category	Scenario 1	Scenario 2	Difference
Food Retail	-	3.3%	3.3%
Food Catering	11.9%	-	-11.9%
Non Food	-	2.8%	2.8%
Total Retail	1.5%	2.7%	1.1%

Source: Urbis

In assessing the general impact of a potential change of use for the centre, we can consider the change in market share between the two scenarios, recognising there will still be an impact on the turnover of other retailers without the rezoning. The change in market share and therefore impact is the critical consideration.

If we consider that the increase in market share at the new centre represents the decline in market share of all other retailers that serve the market, then the change in market share is the equivalent to the average impact on the business that other retailers would otherwise retain from the catchment. As such, Food Retail and Non Food retailers will experience 3.3% and 2.8% impacts on the business captured from the catchment respectively, whereas Food Catering retailers could be up to 12% better off in terms of business from the catchment (Table 4.4).

However, in a planning sense, the impact on individual retailers is not a valid consideration. It is the impact of the change on the ability of other centres to continue to serve their role in the hierarchy. The total retail impact of just 1.1% is therefore a more relevant representation.

It should also be remembered that these general impact calculations are the average impact only on the business that other retailers capture from the catchment. The business that centres capture from outside the catchment is unlikely to be impacted as significantly, and therefore these estimates will overstate total impact.

The specific centre impacts detailed below provide an indication of the total dollar impact and effect of any rezoning.

5.2.4 IMPACT ON INDIVIDUAL CENTRES

As stated in Sub-section 4.1, the impacts on the Hillside NAC, Sydenham Roadside Convenience Centre and the Watergardens Town Centre are expected to be the most significant given their location and offer. As such, we consider the impacts on each here. The likely impact results are presented in Table 4.5, 4.6 and 4.7 respectively.

Key insights from the analysis are summarised as follows.

- **Low to Modest Level of Impact on Hillside NAC**

- As the only retail centre within the 821-839 Melton Highway catchment area, the Hillside NAC is likely to be most significantly impacted relative to other local centres, especially on the local level.
- As shown in Table 4.5, total turnover for the centre is estimated at around \$16.4 million by midyear 2017 if no development occurred on the subject site, up from \$16.1 million in 2016.
- Under Scenario 1, the retail development on the subject site is expected to cause the Hillside NAC to lose approximately \$0.1 million from its Food Catering business, representing a modest -11.5% turnover impact on the Food Catering business at the centre or a low level overall trading impact of -0.8% on the NAC in 2017.
- Under Scenario 2, the resultant impacts are expected to be on Food Retail and Non Food components of the NAC. As can be seen from Table 4.5, the net impact for these two categories is estimated at approximately -\$0.4 million each, representing a turnover impact of around -3.4% and -8.4% respectively, or -4.6% in total for the same period.
- Although the likely turnover impact is expected to be more significant should the proposed rezoning to MUZ occur, the impact in absolute percentage terms, at -4.6%, is considered modest and trading performance of the Hillside NAC is expected to recover this loss, as retail spending continues to grow beyond 2017. This impact on turnover relative to 2016 levels is just -2.5%.

Trading Impact on Hillside Neighbourhood Activity Centre

CONSTANT \$M2016 DOLLAR INCL. GST, 2017

TABLE 5.5

Category	Est. Retail Turnover (\$M)				Turnover Changes (\$M)		Impact (%)	
	Current	No Dev.	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 1	Scenario 2
	2016	2017	2017	2017	2017	2017	2017	2017
	(1)	(2)	(3)	(4)	(5)=(3)-(2)	(6)=(4)-(2)	(7)=(5)/(2)	(8)=(6)/(2)
Food Retail	10.2	10.5	10.5	10.1	-	-0.4	-	-3.4%
Food Catering	1.1	1.1	1.0	1.1	-0.1	-	-11.5%	-
Non Food	4.7	4.8	4.8	4.4	-	-0.4	-	-8.4%
Total Retail	16.1	16.4	16.3	15.7	-0.1	-0.8	-0.8%	-4.6%

1 Year ending June

Source: URBIS

▪ Sydenham Roadside Convenience Centre Better Off Under Rezoning

- As stated earlier, this centre is most similar to the subject site development in terms of retail components and therefore exposed to its potential impact.
- Under Scenario 1, the impact on the centre is estimated at around \$0.5 million of turnover loss, or -11.9%, from its Food Catering business, representing an overall impact of -4.7% in 2017, compared to the estimated turnover under a No Development scenario.
- If the subject site was rezoned to MUZ (Scenario 2), the resultant impacts are estimated at -4.2% on the Food Retail business at the Sydenham centre, or an overall impact of -2.5%, lower than under Scenario 1 (Table 4.6). Again, this level of impact is considered limited. Note that we have assumed that there is no business coming from Non Food category currently, as the centre is heavily focused on Food Retail and Catering business. Therefore only Food Retail business is expected to be impacted at the centre under Scenario 2.

Trading Impact on Sydenham Roadside Convenience Centre

CONSTANT \$M2016 DOLLAR INCL. GST, 2017

TABLE 5.6

Category	Est. Retail Turnover (\$M)				Turnover Changes (\$M)		Impact (%)	
	Current	No Dev.	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 1	Scenario 2
	2016	2017	2017	2017	2017	2017	2017	2017
	(1)	(2)	(3)	(4)	(5)=(3)-(2)	(6)=(4)-(2)	(7)=(5)/(2)	(8)=(6)/(2)
Food Retail	6.8	7.0	7.0	6.7	-	-0.3	-	-4.2%
Food Catering	4.5	4.6	4.1	4.6	-0.5	-	-11.9%	-
Non Food	-	-	-	-	-	-	-	-
Total Retail	11.3	11.6	11.0	11.3	-0.5	-0.3	-4.7%	-2.5%

1 Year ending June

Source: URBIS

▪ Negligible Impact on Watergardens Town Centre

- As shown in Table 4.7, the impact on Food Catering at Watergardens under Scenario 1 is estimated at -1.4% or -0.1% on total retail turnover. The combined impact under Scenario 2 is estimated to increase to -0.3% as a result of the estimated \$1.1 million overall turnover loss.
- Due to its status as the highest order centre in the local retail hierarchy and the large distance from the subject site, the Watergardens Town Centre is the least impacted in percentage terms compared to the other two centres, to the extent that the business loss as a share of its turnover under both scenarios are expected to be almost negligible.

Trading Impact on Watergardens Town Centre

CONSTANT \$M2016 DOLLAR INCL. GST, 2017

TABLE 5.7

Category	Est. Retail Turnover (\$M)				Turnover Changes (\$M)		Impact (%)	
	Current	No Dev.	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 1	Scenario 2
	2016 (1)	2017 (2)	2017 (3)	2017 (4)	2017 (5)=(3)-(2)	2017 (6)=(4)-(2)	2017 (7)=(5)/(2)	2017 (8)=(6)/(2)
Food Retail	101.4	103.8	103.8	103.3	-	-0.5	-	-0.5%
Food Catering	31.3	32.3	31.9	32.3	-0.4	-	-1.4%	-
Non Food	215.3	220.1	220.1	219.5	-	-0.6	-	-0.3%
Total Retail	348.0	356.2	355.8	355.1	-0.4	-1.1	-0.1%	-0.3%

1 Year ending June
Source: Urbis

Table 4.8 below summarises the aggregated impact on the three centres under the two zoning scenarios of the subject site. Total business loss from the catchment area is estimated at \$1.1 million under Scenario 1 and \$2.2 million under Scenario 2 in constant 2016 dollar terms inclusive of GST. These levels of trading impact on local centres are believed to be highly insignificant, suggesting that the proposed rezoning is expected to cause almost no disturbance to the existing local retail hierarchy.

Total Trading Impact

CONSTANT \$M2016 DOLLAR INCL. GST, 2017

TABLE 5.8

Centre	Est. Retail Turnover (\$M)				Turnover Changes (\$M)		Impact (%)	
	Current	No Dev.	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 1	Scenario 2
	2016 (1)	2017 (2)	2017 (3)	2017 (4)	2017 (5)=(3)-(2)	2017 (6)=(4)-(2)	2017 (7)=(5)/(2)	2017 (8)=(6)/(2)
Hillside NAC	16.1	16.4	16.3	15.7	-0.1	-0.8	-0.8%	-4.6%
Sydenham	11.3	11.6	11.0	11.3	-0.5	-0.3	-4.7%	-2.5%
Watergardens	348.0	356.2	355.8	355.1	-0.4	-1.1	-0.1%	-0.3%

1 Year ending June
Source: Urbis

5.3 OTHER EFFECTS OF REZONING

It is believed that the proposed rezoning could bring about additional benefits to the local community:

First of all, rezoning is expected to increase the viability of the site by allowing for a wider range of uses. Confirmation from Knowles Group suggests that there is strong interest in more generic retail and commercial space at the subject site compared to what is allowed for under the current zoning of GRZ1. Instead, a Mixed Use Zone is expected to provide more possibilities for potential future tenants. This could also assist in correcting the emerging mismatch between market demand and supply in terms of the right type of property uses.

Secondly, it is expected to provide local residents with more retail choices. Our research shows that current retail offers within and around the catchment area is limited, due primarily to the area being on the edge of the UGB and therefore the relatively weak presence of major centres. Therefore, a MUZ will likely provide local residents with more retail as well as commercial choices more tailored to suit local demographics that are at the same time easy to access.

Ultimately, the proposed rezoning improves the choice and convenience of retail offer to the community. Impacts on other centres will be immaterial. If rezoning is not approved, there is a distinct possibility that some of the tenancies will remain vacant for considerable periods, or see high tenant turnover, neither of which is a desirable planning outcome.

6 Conclusions

The key conclusions and recommendations from the above assessment of the impact of the proposed rezoning from GRZ1 to MUZ at the 821-839 Melton Highway, Hillside site on local retail hierarchy and the wider community are as follows:

- Currently the subject site development is experiencing difficulty in leasing the retail space due to a mismatch between market demand (i.e. real estate agents, insurance agents, solicitors, hairdressers, etc.) and what is currently allowed under GRZ1 (F&B/restaurant uses).
- It should be recognised that even without rezoning, there will be minor trading impacts on other centres resulting from development of the site for F&B premises. Overall, the market share loss resulting from the proposed rezoning against the outcome under the current zoning is estimated at around 1.1% (1.5% vs. 2.7%). This represents the average retail impact on business that retailers attract from within the catchment area.
- This level of impact is considered immaterial. Different retailers will be less or more impacted by the rezoning. If a wider range of 'shop' uses are permissible on site, those types of retailers elsewhere will see a minor transfer of business. However, F&B retailers will be better off with a reduced focus on take away food and restaurants at the subject site.
- In a planning sense, the relevant consideration is the impact of the rezoning on the role played by other centres. In this regard, our analysis has shown no centre will be materially impacted. In fact, depending on the relative mix of a centre, some centres will generate more turnover, should the site be rezoned.

In summary, it is concluded that the proposed rezoning at the subject site is expected to have insignificant trading impact on the existing retail hierarchy. Rather, the proposed rezoning at the subject site is expected to be able to accommodate a wider range of uses and therefore provide local residents with more retail and commercial choices. The site is likely to be more viable under MUZ which facilitates its best and highest uses, compared to being restricted to F&B uses which are not in demand. Leaving the centre with the current zone would most likely result in high tenant turnover and extended periods of vacancy, which is an undesirable outcome.