

2 May 2017

Julie Currey
Sydney Olympic Park Authority
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Email Julie.Currey@sopa.nsw.gov.au

Dear Julie,

SYDNEY OLYMPIC PARK MASTER PLAN 2030

We are writing to you regarding the retail component of the proposed amendment to the Sydney Olympic Park Master Plan 2030.

Whilst we acknowledge and support the exciting opportunities arising from the proposed Master Plan across various asset classes, we are concerned that the retail component of the proposed Master Plan has not been given proper consideration. It is our assessment that the delivery of the retail portion of the proposed Master Plan would potentially result in unacceptable impacts on shopping centres across the trade area including the Rhodes Waterside Shopping Centre.

To assist Mirvac Real Estate Pty Ltd in formulating its view the owners of the Rhodes Waterside Shopping Centre (Mirvac Property Trust and Perron Investments Pty Ltd) commissioned Leyshon Consulting to prepare an assessment of the proposed amendment to the Masterplan, a copy of the report is attached.

The Leyshon report

1. Challenges the validity of some key assumptions in the Hill PDA report
2. Identifies the potential impact of the retail Master Plan on surrounding centres as being a very high level of impact which we maintain is unacceptable
3. Outlines further analysis required to substantiate the Master Plan
4. Recommends that the proposed amendment to the Master Plan not proceed in its current form

We submit that the retail component of the Master Plan should not proceed until the appropriate analysis has been undertaken and made available to the public.

We would appreciate the opportunity to discuss the above with you. If you require any further information please do not hesitate to contact me on (02) 9080 8680 or Philip.threlfall@gmail.com

Yours sincerely



Philip Threlfall
Mirvac Development Consultant

cc. Paula Tomkins@planning.nsw.gov.au

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REVIEW of HILL PDA SOPA FEASIBILITY & MARKET TESTING REPORT

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DISCLAIMER

This Report has been prepared solely for the purposes recorded at Section 1 of the Report and solely for the benefit of the party to whom the report is addressed. No third party is entitled to rely upon this Report for any purpose without the written consent of Leyshon Consulting Pty Ltd having first been sought and obtained.

This Report involves the making of future projections. Those projections are grounded upon the facts and matters contained in this Report. Some or all of those facts and matters comprise assumptions and/or representations upon which Leyshon Consulting Pty Ltd has relied but about which it has no knowledge of its own. By reason of this, Leyshon Consulting Pty Ltd cannot warrant or represent the correctness or accuracy of such assumptions and/or representations. It follows that, while the projections contained in this Report are made with care and judgment, Leyshon Consulting Pty Ltd cannot confirm, warrant or guarantee that actual results achieved will be consistent with the results projected by this Report.



1 INTRODUCTION

This Report has been prepared for Mirvac Real Estate Pty Ltd as Managers for the owners: Mirvac Property Trust and Perron Investments Pty Ltd (hereafter Mirvac) by Leyshon Consulting Pty Ltd. Mirvac has requested we review a report (*Sydney Olympic Park Master Plan 2030 5 Year Review: Feasibility & Market Testing*) prepared for the Sydney Olympic Park Authority (SOPA) by consultants Hill PDA.

The Hill PDA report examines the potential future demand for residential, commercial and retail floorspace in the Sydney Olympic Park Precinct (SOP Precinct).

The focus of this review is on the recommendations made by Hill PDA with respect to retail floorspace demand and the potential implications for the Rhodes shopping centre of significant future retail development in the SOP Precinct.

2 OVERVIEW

The component of the Hill PDA report relating to the demand for retail floorspace is limited to six pages. Despite the brevity of the analysis in their report, Hill PDA recommend the SOP Precinct could accommodate about 66,471m² Gross Lettable Area (GLA) of retail floorspace by 2031. In relation to this recommendation Hill PDA observe:

“The retail floorspace take up is likely to occur in a major block of 50,000-60,000sqm if a regional shopping centre is approved at SOP. The balance of retail take up will be proportional to development in other precincts at SOP.” (Hill PDA report page 6 refers).

As a general observation, we note Hill PDA does not canvass any ‘options’ for retail development at SOP. That is, their report does not consider a range of alternative methods of meeting the legitimate retail requirements of future residents of SOP, those who work in the SOP Precinct or visitors to SOP. Each of these groups will have differing requirements for retail-type services within SOP.

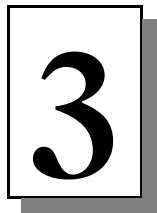
As discussed below, the analysis presented in the Hill PDA report appears to proceed from the premise that the only relevant option for retail development in SOP is a major regional-scale shopping centre. We consider this approach appears to be calculated to produce a predetermined outcome.

We note that notwithstanding Hill PDA’s recommendation, the Draft Masterplan released for public comment by SOPA proposes to increase

the floorspace provision for retail activities at Homebush from 33,000m² at present to 100,000m² Gross Floor Area (GFA).

The provision of 66,471m² GLA to 100,000m² GFA of retail space in a Masterplan for retail activities is equivalent to enabling a major regional-scale shopping centre to be developed within the SOP Precinct.

As a general observation, it is quite rare for new regional-scale shopping centres to be approved and developed in **established** parts of the Sydney Metropolitan Area. Furthermore, the development of such a centre, because of its scale, inevitably will have significant implications for existing major centres in the region surrounding Homebush.



HILL PDA ASSUMPTIONS

In undertaking this review we have examined the key assumptions adopted by Hill PDA in their report. Our comments on these are set out below.

3.1 Trade Area

The trade area adopted by Hill PDA is set out in Figure 18 in their report. We consider the trade area defined by Hill PDA to be reasonable if the starting position is that some form of **major** retail development will be undertaken in the SOP Precinct.

If anything less than a regional centre was being contemplated then a much smaller trade area would be more appropriate than that which forms the basis of the analysis presented by Hill PDA in their report.

The primary trade area (PTA) defined by Hill PDA essentially comprises the Sydney Olympic Park Precinct. The secondary trade area east (STA East) defined by Hill PDA includes Concord and the Rhodes Peninsular. The STA South defined by Hill PDA includes parts of Lidcombe and Auburn while the STA West includes the suburbs of Silverwater, Newington and Wentworth Point.

In relation to the latter, it is our opinion Wentworth Point should form part of the PTA rather than being included in the STA West given its close proximity to the SOP and the existing direct road connection between Wentworth Point and the central parts of the SOP.

3.2 Population Growth

Hill PDA identify that in 2014 approximately 69,180 persons resided in the defined trade area as a whole (Hill PDA Table 8 refers). We note that only 2,220 persons were resident in the PTA at that time, however. In other words, in 2014 the PTA comprised only 3.2% of the total population of the defined trade area as a whole.

On the basis of projected dwelling completions Hill PDA forecasts that by 2031 the trade area population will be some 129,863 persons. This equates to an overall increase of some +60,683 trade area residents between 2014-31.

This population growth will be dependant, however, on significant additional housing development occurring at Wentworth Point and the Carter Street Precinct. In any event, according to Hill PDA by 2031 only 21,195 persons (or 16.3% of the estimated total population) will reside in the PTA.

It is also worth noting the growth in the PTA's population up to 2031 will be an estimated +18,975 persons while the overall population increase in the combined secondary trade areas will be an estimated +41,703 persons.

The majority of the population growth, and hence spending growth and the demand for retail floorspace, will therefore originate from the defined STAs rather than the PTA.

In practice, by 2031 with a projected maximum population in the PTA of only 21,195 sufficient demand will exist to support a shopping centre of no greater than 12,000m² within the SOP Precinct itself.

3.3 Expenditure Capture Rates

Hill PDA adopt what they refer to as “capture rates” to calculate the demand for retail floorspace in the SOP. These “capture rates” in effect determine the proportion of estimated available household retail expenditure Hill PDA considers a proposed new development undertaken in the SOP Precinct would achieve in the period 2014-31. Their assumptions regarding “capture rates” are set out in Table 10 in the Hill PDA report.

As a general principle, “capture rates” (also more commonly referred to as market shares) are usually determined based on a range of factors including competition, barriers to movement, the assumed road network and, in this case, how these variables might change between 2014-31 as well as any other relevant factors. Critically, however, adopted “capture rates” also need to reflect the scale and type of retailing which the analyst considers possible/appropriate in a given location. That is, “capture rates” are heavily influenced by the attractiveness (in market terms) of what is being proposed to be developed.

For instance, a proposed small shopping centre with a small and/or medium-scale supermarket will achieve a much lower overall “capture rate” (or market share) within its trade area than would a regional-scale shopping centre which includes several major supermarkets, discount department store (DDS) and a wide range of specialty shops.

In their report Hill PDA do not set out what assumptions they have made regarding the type of development which will give rise to the capture rates they specify. Nor do they detail any assumptions they have made with respect to competitive centres—even those already established and operating in the trade area—or those likely to be

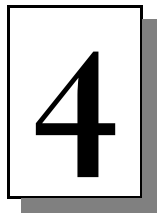
developed in the period up to 2031 in areas such as Wentworth Point and Carter Street.

In our opinion some of the “capture rates” Hill PDA have adopted for specific expenditure commodity groups appear to be overly optimistic given the scale of existing retail facilities within parts of the secondary trade area or close to the boundaries of the defined secondary trade areas. For example, in relation to the STA South, the market shares the proposed development is projected to capture are as follows:

| | | | |
|---|------------------------|-----|------|
| ▶ | supermarkets | ... | 45% |
| ▶ | takeaway liquor stores | ... | 45% |
| ▶ | specialty food | ... | 25% |
| ▶ | fast food stores | ... | 25%. |

Our view is these capture rates are too optimistic having regard to the existence of Woolworths and Aldi supermarkets, a major Costco store and a very wide range of specialty food outlets in Auburn.

Similarly, the Hill PDA report does not provide any information as to the overall “capture rate” or market share which applies to each segment of the trade area. That is, it is impossible to calculate from the information provided in the report what the estimated overall market share of the proposed SOP centre will be within the various parts of the trade area.



FLOORSPACE DEMAND

4.1 Hill PDA Retail Floorspace Demand Estimates

Hill PDA provide estimates of the demand for retail floorspace in the SOP Precinct between 2014-31 by key retail expenditure category (Hill PDA Table 12 refers). In our opinion, the outcomes of their floorspace demand analysis appear to be unrealistic.

The main reason we hold this view is that Hill PDA adopt expenditure “capture rates” which are too optimistic in the first place. For example, by 2031 Hill PDA estimate there will be a demand for **19,275m² of supermarket floorspace** within the SOP.

This figure seems unrealistic given both Woolworths and Coles currently operate major stores in the order of 3,800m² to 4,500m² while Aldi and IGA operate stores in the order of 1,600m² to 2,500m².

Assuming all four chains were represented in the proposed centre they would at most occupy 13,100m² of supermarket floorspace. We are unaware, however, of any major shopping centre in Australia which contains more than three national chain supermarkets at present. Consequently, in practical terms, a major centre developed at Homebush which contained Woolworths, Coles and Aldi (or IGA) would at most have 10,600m² of supermarket floorspace.

Hill PDA also recommend that by 2031 the proposed centre could accommodate some 5,190m² of clothing floorspace. This is broadly equivalent to 45 to 50 stores. This estimate appears to be a very optimistic given the strength of the nearby DFO Centre at Homebush

which contains a very wide range of discount-oriented clothing outlets, as well as competition from the existing clothing offer provided at Rhodes, Westfield Burwood and Westfield Parramatta.

4.2 Constraints on SOP Retail Development

We note the Hill PDA report does not discuss in any detail potential constraints on retail development at Homebush particularly if a major shopping centre is being contemplated.

For example major shopping centres of 60,000 to 100,000m² routinely attract between eight and 17 million shoppers per annum the majority of which typically arrive by car. Centres of such scale are major generators of vehicular traffic and place significant demands on surrounding road infrastructure.

Such centres usually provide some 3,000 to 4,000 car spaces and typically occupy site areas of between nine and 21 hectares. In summary, these centres are major consumers of land and tend to dominate the precincts in which they are located.

It should also be noted that peak shopping periods for regional shopping centres (typically Saturdays and Sundays) are also likely to conflict with many major sporting/entertainment events at SOP.

In our opinion it is simply impractical to recommend the provision of such a major component of retail floorspace within the SOP Masterplan without working through the implications of its provision in terms of the:

- ▶ capacity of approach roads to Homebush to accommodate additional shopping-related traffic
- ▶ capacity of the internal SOP road system to accommodate additional shopping-related traffic
- ▶ availability/identification of a major site to accommodate such development
- ▶ implications for the overall urban form of the SOP of allocating a major site for such development
- ▶ practicality of providing within the SOP at least an additional 3,000 car spaces primarily devoted to meeting the needs of shoppers.

5 IMPACT on CENTRES HIERARCHY

An aspect of particular concern with respect to the recommendations made by Hill PDA (and the retail floorspace cap ultimately proposed by SOPA) is that Hill PDA's report contains no analysis of the potential impact of a regional-scale shopping centre developed at Homebush on any of the surrounding major centres.

While some might argue that what is being contemplated at present is only the provision within a masterplan for retailing at Homebush of up to 100,000m², the reality is that once such a provision is specified within the SOP Masterplan, the development of a major centre of that scale becomes a real possibility.

At present there are a number of major centres in the region immediately surrounding Homebush which would be impacted by the development of such a centre. These include:

- ▶ Rhodes
- ▶ Westfield Burwood
- ▶ DFO Homebush
- ▶ Westfield Parramatta
- ▶ Auburn Central
- ▶ Lidcombe Shopping Centre.

All of these centres are regional or sub-regional in scale and all of them have established trade areas which overlap with the trade area

identified by Hill PDA for a new regional-scale shopping centre at Homebush.

To provide some context to this issue, it should be noted that centres in the order of 60,000m² to 100,000m² GLA are major generators of retail sales. As indicated in TABLE 1 in 2016 major centres of between 90,000m² and 100,000m² GLA in the Sydney Region achieved annual sales ranging between \$529 and \$658 million (\$2016). Selected centres in the order of 59,386m² to 62,000m² GLA meanwhile achieved annual sales of between \$300 and \$509 million (\$2016) in 2016.

TABLE 1
ANNUAL SALES of SELECTED SYDNEY REGION
CENTRES, 2016 (\$2016)

| Centre... | Area (Sq.M.) | Annual Sales (\$ Mil. \$2016) |
|----------------------|-----------------|----------------------------------|
| Westfield Hornsby | 99,962 | \$652.80 |
| Westpoint Blacktown | 97,069 | \$529.00 |
| Westfield Penrith | 91,701 | \$658.40 |
| Roselands | 61,982 | \$300.95 |
| Westfield Hurstville | 61,616 | \$509.20 |
| Stockland Merrylands | 59,386 | \$363.83 |

Source: *Shopping Centre News* Vol.35 No.1, 2017.

To provide some further context to this issue, the reported 2016 sales (\$2016) of the nearest major centres to SOP were as follows:

- ▶ Rhodes ... \$210.0 million
- ▶ Westfield Burwood ... \$479.0 million
- ▶ DFO Homebush ... \$316.2 million.

In summary, it is theoretically possible that in current day terms a major centre of the scale contemplated in the SOP could achieve annual sales which exceed those of all the major centres immediately surrounding the SOP. Such an outcome potentially could have a major impact on existing centres in the area surrounding Homebush. This impact could exceed -20% which is generally regarded as a very high level of impact.

Given this, it is inappropriate in our opinion that the Hill PDA report and the draft SOP Masterplan make provision for such a significant quantum of retail floorspace without any analysis of the potential impact such a development would have on the surrounding hierarchy of retail centres.

While it might be argued the analysis of impact should more appropriately be undertaken when a development application is put forward, our experience is that any impact analysis at that point would be circumscribed by the fact provision for a large volume of retail floorspace was made in the Masterplan.

6 CONCLUSION

In summary, it is our considered view the appropriate time for a detailed analysis of its potential impacts is prior to the inclusion of such a provision in any master-planning document not after such a provision has been made.

We consider the analysis which should be undertaken at this stage includes the following:

- ▶ a clear identification of the existing retail hierarchy in the region surrounding the SOP
- ▶ identification of the potential for existing centres to absorb growth arising from new residential development in the surrounding region
- ▶ analysis of the potential role and function of a centre developed in the SOP and how such a future centre would operate in competitive terms with existing major centres
- ▶ identification of retail services likely to be provided in new residential precincts such as Wentworth Point and Carter Street which could reduce the level of demand for such space within SOP itself
- ▶ analysis of the potential sales which could be attracted to retail development within SOP under a number of appropriate retail development scenarios; and

- ▶ estimation of the potential range of impacts which retail development in SOP could have on major retail centres in the area surrounding the SOP under a number of possible retail development scenarios.

In our opinion this information and analysis is required to enable SOPA and the Department of Planning and Environment to reach a properly informed decision on the appropriate scale and nature of retail development which should be provided for within the SOP Masterplan.

In summary, we do not consider the analysis set out in the Hill PDA report provides an adequate basis for either:

- ▶ recommending the provision of a regional-scale shopping centre of “50,000 to 60,000m²” GLA at SOP; or
- ▶ an increase in the provision of retail floorspace in the SOP Masterplan from 30,000m² to 100,000m² GFA as is proposed in the current draft SOP Masterplan.

Hence we do not consider the proposed amendment to the SOP Masterplan should proceed.





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Urbis Pty Ltd
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15 November 2016

NSW Department of Planning and Environment

By on-line submission:

http://planspolicies.planning.nsw.gov.au/index.pl?action=view_job&job_id=7871

Dear Sir/Madam,

SUBMISSION TO SYDNEY OLYMPIC PARK MASTER PLAN 2030 (2016 REVIEW) AND STATE SIGNIFICANT PRECINCTS SEPP AMENDMENTS

This submission has been prepared on behalf of Mirvac Real Estate Pty Ltd, the co-owners and managers of Rhodes Waterside Shopping Centre.

We have undertaken a detailed review of the documentation that has been made publicly available for review and comment, including:

- *Sydney Olympic Park: Review of Master Plan 2030 and State Significant Precinct - Planning Report* prepared by the Department of Planning and Environment and dated August 2016
- *Sydney Olympic Master Plan 2030 (2016 Review): Draft for Public Exhibition* prepared by the Sydney Olympic Park Authority and dated June 2016
- *Sydney Olympic Park Master Plan 2030 – 5 Year Review: Feasibility and Market Testing* prepared by Hill PDA Consulting and dated 26 May 2016
- Supporting documentation prepared by the Department of Planning and Environment and the Sydney Olympic Park Authority including summary papers and Frequently Asked Questions

Based on our review, it appears that there has been a major shift in the core aims and objectives for the Sydney Olympic Park precinct, including a reduction in the amount of commercial office development and large increases in the amount of residential and retail floor space. The proposed changes to the Master Plan represent a significant departure from the long-held objectives for Sydney Olympic Park to be an integral part of the Global Economic Corridor and a Major Precinct for employment and economic growth.

Mirvac is highly concerned regarding the significant changes to the amount of retail floor space that is now being planned within the precinct, including the potential for a regional shopping centre to be accommodated within the Central Precinct.

It is acknowledged that the delivery of an improved retail offer could make the precinct more attractive for businesses to locate within Sydney Olympic Park. However, there is no evidence to support the substantial increase in retail floorspace from 33,000m² in the current Master Plan to 100,000m² in the 2016 Review. However, the supporting documentation does not include any assessment of the

potential economic impacts of this major change on the surrounding retail centres. In fact, the planning report states:

The fulfilment of the retail target has the potential to affect existing retail centres surrounding Sydney Olympic Park. While it is recognised that this is a long term (14 year) target, the department will work further with SOPA during and following exhibition to further assess the current conclusions that the amended retail target will have minimal impact on existing retail centres.

Mirvac is significantly concerned that there has been no analysis of the potential impacts of this major change to the established retail hierarchy and no evidence to support the current conclusions that the will be 'minimal impact on existing retail centres'. The Masterplan Review seeks to treble the amount of retail floorspace that is currently planned for the precinct. It is considered critical that this impact is assessed and the results of that impact assessment are made available for public review.

We request an extension to the public submission date to enable Mirvac to further consider the potential economic impacts of the Master Plan Review on Rhodes Waterside Shopping Centre.

We also request that any additional economic impact analysis undertaken by the Department of Planning and Environment and/or the Sydney Olympic Park Authority is made publicly available to Mirvac for review prior to any changes to the Sydney Olympic Park Master Plan 2030 or the State Significant Precinct controls.

If you have any questions please don't hesitate to contact me at (02) 8233 9931 or jcooper@urbis.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "J Cooper", with a large, stylized initial "J" and a long, sweeping underline.

Jennifer Cooper
Director