

ECONOMIC IMPACT ASSESSMENT
~
PROPOSED RETAIL DEVELOPMENT
at
MELROSE PARK

Prepared For:
PAYCE

Prepared By:
LEYSHON CONSULTING PTY LTD
SUITE 1106 LEVEL 11
109 PITT STREET
SYDNEY NSW 2000

TELEPHONE (02) 9224 6111
FACSIMILE (02) 9224 6150

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EXECUTIVE SUMMARY

Introduction Section 1

This updated Report has been prepared for PAYCE by Leyshon Consulting Pty Ltd. The Report forms part of a Planning Proposal to be submitted to Parramatta City Council (Council) on behalf of PAYCE. The Planning Proposal seeks to rezone land at Melrose Park to permit major residential, commercial, retail and community development on a 25 hectare site fronting Wharf Road, Melrose Park.

The purpose of the Report is to address the need for, and impact of, the proposed retail component of the proposed development.

Context Section 2

The nearest retail facilities to Melrose Park are found in centres at West Ryde, Ermington and Meadowbank.

West Ryde contains about 25,000m² of retail space including both full-line Woolworths and Coles supermarkets while Woolworths operates the supermarket at Ermington. Meadowbank contains both Aldi and Supa IGA supermarkets.

Other major centres in the surrounding area of relevance are:

- ▶ Top Ryde
- ▶ Carlingford Court
- ▶ Rhodes
- ▶ Eastwood.

The centres in and around Melrose Park appear to be trading successfully with minimal vacancies at present.

The adjacent VRS site will contain some 1,200 units and a convenience retail component.

Trade Area Analysis Section 3

A trade area has been defined which includes Melrose Park and the eastern part of Ermington as the Primary Trade Area (PTA). A series of secondary trade areas (STAs) cover parts of West Ryde, Meadowbank, Eastwood, Dundas Valley and the western part of Ermington.

At the 2016 Census the demographic attributes of the trade area were broadly similar to those of the Greater Sydney Region as a whole.

Substantial residential redevelopment in Melrose Park—as is being proposed—may well bring about demographic change in the area. For instance, it is likely the incoming population will have a higher socio-economic status than the existing resident population.

EXECUTIVE SUMMARY

Demand Assessment Section 4

Population Growth

The population forecasts for the trade area take into account the potential development of about 7,000 units in the Melrose Park North precinct.

The Melrose Park trade area population in 2016 was estimated to have been 33,247 people. Without the PAYCE development this is projected to increase to 42,055 by 2026. If the PAYCE project is approved, then 5,800 units could be developed which would result in an additional 12,470 trade area residents on its completion—that is, 5,000 units on Payce land and 800 on adjacent sites.

Available Spending

Without the PAYCE development, total available annual retail spending is projected to grow from \$440.7 million in 2019 to \$543.3 million in 2026 (\$2018). This represents an increase of +\$102.6 million in real terms (\$2018) between 2019-26.

The growth in annual available supermarket-type expenditure between 2019-26 is estimated at \$32.8 million (\$2018).

Supportable Floorspace

The trade area theoretically could have supported about 67,800m² Net Leasable Area (NLA) of retail floorspace in 2019. By 2026 (without the PAYCE development) an additional 12,200m² NLA of retail-type floorspace would be required to meet the needs of trade area residents.

By 2019, some 14,100m² NLA of supermarket floorspace is estimated as being supportable in the trade area while the current supply is about only 2,500m² NLA. This indicates there is an existing under-supply of supermarket floorspace and that the trade area has the capacity to absorb a full-line supermarket as proposed at Melrose Park together with a small convenience supermarket on the adjoining VRS site.

If the PAYCE development is approved (and that on adjoining sites) by 2026 the resulting population growth will generate additional annual available retail spending estimated at +\$161.0 million. Of this, additional annual available supermarket spending would comprise in the order of \$51.5 million (\$2018).

This expenditure growth would increase the notional demand for retail floorspace in the Melrose Park trade area as a whole by up to 22,725m² NLA once the proposed development was complete which easily exceeds the proposed development of 12,750m² NLA or 15,000m² Gross Floor Area (GFA).

EXECUTIVE SUMMARY

Impact Analysis Section 5

Estimated Sales

The proposed development will provide some 12,750m² NLA of retail floorspace including a supermarket of 4,500m² in a Town Centre. The proposed centre will also contain 15,000m² (GFA) of commercial floorspace and potentially a childcare centre.

For the purposes of analysis, we have assumed that the proposed Melrose Park centre will have 2026 as its first full year of trading. We estimate the centre will achieve total sales of \$91.1 million per annum (\$2018) in 2026.

Impact on Centres

The estimated impacts of the proposed centre in order of significance are as follows:

▶ Meadowbank	...	-9.4%
▶ West Ryde	...	-11.2%
▶ Ermington	...	-10.8%
▶ Top Ryde	...	-5.9%
▶ Rhodes	...	-3.6%
▶ Eastwood	...	-2.3%
▶ Carlingford	...	-1.4%

These impacts are classified as mostly being either in the 'low' or 'low/medium' category of impact. They are not of a scale which would warrant refusal of the proposed development on economic impact grounds. The estimated impacts on Ermington centre (-10.8%) and West Ryde (-11.2%) are slightly above the 'low/medium' level of impact. Both centres, however, will benefit substantially from population and hence spending growth in Melrose Park between 2019-26.

Indeed, all the centres impacted stand to benefit from a substantial rise in available retail spending up to 2026 and beyond due to ongoing medium/high density residential development—both within Melrose Park and in the suburbs surrounding Melrose Park.

This is particularly so given that residential development in the period after 2026 is estimated to see annual available retail spending grow by an estimated +\$133 million up to the time residential development is complete.

EXECUTIVE SUMMARY

Planning for Centres

Development of the proposed centre at Melrose Park is considered to be consistent with the 2009 Draft Centres Policy. For instance, the Draft Policy envisaged that in appropriate circumstances new centres should be developed to meet market demand for additional retail floorspace.

The Melrose Park proposal will have a positive net community benefit arising from the creation of 600 to 681 employment positions, the provision of a new retail centre as the centrepiece of a new urban community while not generating unacceptable economic impacts as far as existing centres are concerned.

Conclusion

This Report concludes the proposed rezoning of the land to provide for a new retail centre of 12,750m² NLA (15,000m² GFA) at Melrose Park is justified based on both the existing demand for retail services in the area and the substantial growth in demand which will flow from the residential components of the Melrose Park project.

The proposed development will not give rise to unacceptably adverse economic impacts for existing centres in 2026.



1 INTRODUCTION

1.1 Background

This updated Report has been prepared by Leyshon Consulting Pty Ltd for PAYCE. The Report examines the potential for retail and commercial floorspace to be incorporated as part of a redevelopment of industrial property acquired by PAYCE at Melrose Park. We understand PAYCE has acquired three industrial properties—namely 38-42 Wharf Road, 44 and 44A Wharf Road, Melrose Park. The sites are contiguous and have a combined area of approximately 25 hectares.

PAYCE also owns a property located at 657-661 Victoria Road which is zoned for mixed use. This is known as the 'VRS site'.

We are advised PAYCE lodged a Planning Proposal (PP) with the City of Parramatta Council (Council) to rezone these three sites (hereafter referred to as the subject sites) to enable their development primarily for residential, commercial and retail purposes. Leyshon Consulting prepared an Economic Impact Assessment in March, 2017 which accompanied the PP.

Melrose Park is an industrial area on the western boundary of Parramatta Local Government Area (LGA). Historically, the area has been home to a number of major industrial companies operating in the pharmaceutical, health and food services sectors. We understand most of these major companies such as Reckitt Benckiser, Pfizer, Eli Lilly and George Weston Foods have either decided to, or are evaluating, relocating from Melrose Park to other employment areas in Sydney Region.

The Melrose Park industrial area is bounded by residential development on its eastern and western boundaries. The Parramatta River forms the southern boundary and Victoria Road the northern boundary.

Given the location and characteristics of the Melrose Park industrial area it is considered to have significant potential over the longer term for redevelopment primarily for residential purposes.

We understand that Payce propose to provide 15,000m² Gross Floor Area (GFA) of retail and associated commercial space. This is equivalent to about 12,570m² Net Leasable Area (NLA). The potential configuration of this floorspace is discussed in more detail in Section 5 of this Report.

2 CONTEXT

2.1 Local Retail Facilities

There are no existing retail centres within the suburb of Melrose Park. The nearest local retail/commercial centres of significance are found at:

- ▶ West Ryde – Woolworths and Coles supermarkets
- ▶ Ermington – Woolworths supermarket.

The West Ryde centre is located approximately 3km to the east of Melrose Park and contains some 25,000m² of retail floorspace Net Leasable Area (NLA). The centre consists of strip retailing fronting Ryde Road as well as retailing on the northern side of Victoria Road which includes the Woolworths and Coles supermarkets referred to above. The retail strip fronting Victoria Road is heavily impacted by through traffic and does not offer a particularly attractive environment for shoppers.

In recent years, Ryde Council has promoted the development of the West Ryde centre as a so-called 'urban village'. A recently completed development on the northern side of the centre which comprises a Coles supermarket, a council library and residential apartments plus a piazza is part of Ryde Council's strategy of improving the urban quality of West Ryde and shifting the focus of retail and commercial activity away from Victoria Road.

The Ermington centre is located approximately 4km to the west of Melrose Park. The Ermington centre contains some 5,300m² NLA of retail floorspace anchored by a Woolworths supermarket of 2,500m² NLA. The centre also contains an hotel and a row of older-style strip

shops to the east of Woolworths. The centre has good exposure to Victoria Road and benefits from being close to the intersection of Victoria and Silverwater Roads—both of which carry high volumes of traffic.

In addition to West Ryde and Ermington there are both Aldi and Supa IGA supermarkets in Bay Drive, Meadowbank which are of some competitive relevance. An Aldi supermarket is also located at Rydalmere some 4km to the west of Melrose Park.

2.2 Other Major Centres

Beyond the Melrose Park/Ermington/West Ryde area the major relevant centres are:

- ▶ Top Ryde City (KMart, Big W, Coles, Woolworths, Aldi, Dan Murphy's, JB Hi Fi, Rebel Sport)
- ▶ Carlingford Court (Target, Coles, Woolworths)
- ▶ Rhodes (Target, Coles and IKEA)
- ▶ Eastwood (Woolworths, Aldi).

Top Ryde City is the nearest regional-scale centre (77,000m² NLA Retail) in the area surrounding Melrose Park. The centre is located 5.3km east of the subject sites. Top Ryde was re-developed in 2010-11 but traded poorly before being sold to the Blackstone Group in late 2012.

In 2016 Myer closed its store at Top Ryde. The space vacated by Myer has been occupied by a supermarket (Coles), DDS (Kmart) and several

'mini-majors' and specialty retailers. Sales at Top Ryde were estimated at \$423.8 million per annum in 2018 (\$2018).

Carlingford Court is located 4.7km by road north of the subject sites and contains some 28,500m² of retail floorspace and is anchored by a Target Discount Department store (DDS) and two major supermarkets—Woolworths (3,870m²) and Coles (3,500m²). The current estimated sales of Carlingford Court are in the order of \$185.7 million per annum (\$2018).

The **Rhodes Shopping Centre** is located 7.4km by road south of the subject sites on the southern side of the Parramatta River but has a trade area which extends north of the river into the suburbs of Meadowbank and West Ryde. Rhodes contains some 25,100m² of retail floorspace plus an IKEA store of approximately 8500m². The centre's major tenants are a small Target DDS (3,800m²), Coles supermarket (3,500m²) and a Reading cinema complex. The estimated annual sales of the centre in 2018 were in the order of \$226.8 million per annum (\$2018).

The **Eastwood centre** is located 4.5km north west of the subject sites. It contains two small enclosed centres—namely Eastwood Shopping Centre and Eastwood Village Square. The former is anchored by a small Woolworths supermarket (1,830m²) while Eastwood Village Square contains an Aldi supermarket (approximately 1,500m²).

In 2009, Ryde Council approved a major mixed-use redevelopment of the Eastwood Shopping Centre. The redevelopment scheme involved the demolition of the centre and construction of a new retail centre together with a large number of residential apartments. The scheme never proceeded and the development consent has now lapsed.

The suburb of Eastwood has become a major focus for the Chinese community in Sydney. Consequently, a large number of the specialty shops within the Eastwood centre are oriented toward meeting the needs of customers of Chinese origin.

Our recent inspection of all centres in the sub-region surrounding Melrose Park indicates there is currently a very low level of vacant floorspace. This suggest prima facie that existing centres are trading acceptably at present.

2.3 Smaller Centres

There are several small convenience centres in surrounding suburbs ranging in size from 600 to 1,000m² NLA. These include:

- ▶ Marsden/Victoria Roads, Ermington ... 700m²
- ▶ Stanford Avenue, Ermington ... 600m²
- ▶ Yates Avenue, Dundas ... 620m²
- ▶ Bartlett Street, North Ermington ... 900m².

These centres provide a limited range of basic convenience retail and related services.

2.4 Proposed Development

As noted previously, the property at 657-661 Victoria Road, Melrose Park (VRS site) is proposed to be redeveloped and if approved will, on completion, comprise residential buildings, a small component of retail floorspace and childcare facilities. This property is also owned by PAYCE. In total approximately 1,200 residential units are proposed to be provided on the VRS site.

The only approved major retail development either within the trade area or in the immediate surrounding area is the addition of some 12,000m² of retail floorspace as part of the Rhodes Central development adjacent to Rhodes railway station. This development is being undertaken in conjunction with major residential development which will, on completion, provide some 1,700 residential units.

The Rhodes Central centre is located to the south of the Parramatta River and is relatively inaccessible by car. It is likely the centre will draw the majority of its trade from residents in the Rhodes Peninsula and the northern part of Concord.

3 TRADE AREA ANALYSIS

3.1 Trade Area Definition

We have defined a trade area for a retail development at Melrose Park taking into account the following:

- ▶ competitive retail centres in the surrounding region
- ▶ the arterial and sub-arterial road system
- ▶ barriers to movement.

The likely trade area of a centre developed at Melrose Park is depicted in FIGURE 3.1. The trade area comprises the following segments:

- ▶ **Primary Trade Area (PTA)** – Melrose Park and part of Ermington
- ▶ **Secondary Trade Area East (STA East)** – part of West Ryde and Meadowbank
- ▶ **Secondary Trade Area North (STA North)** – parts of Eastwood and Dundas Valley
- ▶ **Secondary Trade Area West (STA West)** – part of Ermington.

3.2 Trade Area Demography

The key demographic attributes (in an historical sense) of the population residing in the Melrose Park trade area at the 2016 Census are set out in TABLE 3.1 together with comparative data for the Greater Sydney

Figure 3.1: Melrose Park Trade Area


Legend

✕ Site

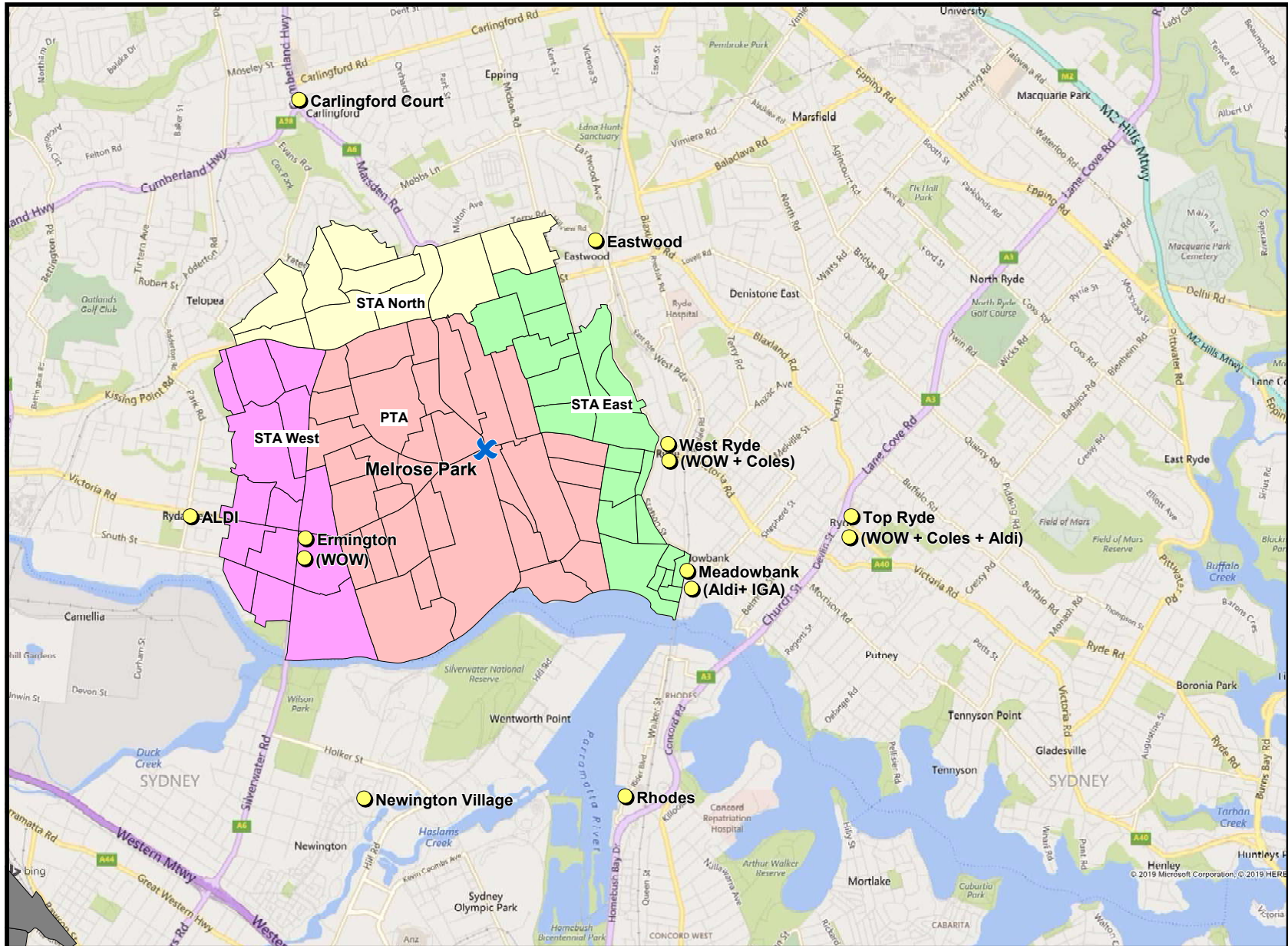
Site Coordinates

Longitude/X: 151.070540
Latitude/Y: -33.807230

N



0 0.9 1.8
Kilometres



AnySite®

Data Source:

Print Date: 22 May 2019
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Region. Commentary on the demography of the area compared with the Greater Sydney Region is provided below.

It is important to note that the population which will settle in Melrose Park as a result of the proposed development could well have different key demographic characteristics compared with the area's existing population. This issue is discussed in more detail below.

3.2.1 Age Structure

The population in the Melrose Park trade area had an age profile similar to the Greater Sydney Region in 2016.

3.2.2 Family Structure

In 2016 there was a greater incidence of couple only families (that is, couples without children) in the Melrose Park trade area—namely 31.4% compared with 22.1% the Greater Sydney Region. By contrast, in 2016 there was a much lower incidence of couple families with dependant children—52.4% compared with 63.4% in the Greater Sydney Region. The trade area's average dwelling occupancy rate in 2016 was 2.84 persons per dwelling compared with 2.78 in the Greater Sydney Region.

3.2.3 Occupational Structure

The occupational structure of employed persons in the Melrose Park trade area in 2016 generally was similar to that of the Greater Sydney Region. The only significant differences of any note were a somewhat lesser incidence of managers (7.6%) in the trade area compared with 13.7% in the Greater Sydney Region and a higher incidence of clerical

and administrative workers (16.1%) compared with 14.6% in the Greater Sydney Region.

In 2016, the unemployment rate in the Melrose Park trade area was 5.8% – below the Greater Sydney Region’s overall unemployment rate at that time of 6.4%.

3.2.4 Household income

The estimated average income of Melrose Park trade area households in 2016 was \$97,256 per household per annum (\$2016). This was 5.6% lower than the Greater Sydney Region average at the time—namely \$103,990 per household per annum (\$2016).

3.2.5 Language

At the 2016 Census 51.0% of Melrose Park trade area respondents reported speaking English only at home. This compares with 58.9% speaking English only at home in the Greater Sydney Region. The main alternative languages spoken in the trade area were Chinese languages (14.8%) which compared with only 7.5% of Greater Sydney Region households speaking Chinese languages at home in 2016.

3.2.6 Summary

In summary, the demographic attributes of the Melrose Park trade area in 2016 were broadly similar to those of the Greater Sydney Region population as a whole.

There were some differences in the demography of the STA East compared with the balance of the Melrose Park trade area, however. One of the reasons for this is that since 2001, there has been a greater

level of duplex and medium density residential development in this area which has attracted new residents to the STA East.

Overall, the STA East in 2016 exhibited the following differing characteristics compared with the Melrose Park trade area as a whole:

- ▶ a higher proportion of people aged between 20-34 years (20.9% compared with 15.7%)
- ▶ a higher proportion of couple only families (38.5% compared with 31.4%)
- ▶ a higher proportion of residents employed as professionals (33.0% compared with 26.3%)
- ▶ a higher average household income—\$100,649 per household per annum compared with \$97,265 per household per annum (\$2016).

The differing demography of the STA East compared with the trade area as a whole provides some insight into what may eventuate if large parts of the Melrose Park industrial area are converted to residential development. For example, it is likely that under such a scenario the incoming population would have a higher socio-economic status than that of the existing resident population in the area surrounding the subject sites. Accordingly, it could be expected any such new population will have a potentially higher average demand for retail goods and services.

TABLE 3.1

SELECTED KEY DEMOGRAPHIC ATTRIBUTES of MELROSE PARK TRADE POPULATION and COMPARATIVE DATA for GREATER SYDNEY REGION, 2016 (% Population)

Variable ...	PTA	STA East	STA North	STA West	Main Trade Area	Sydney SD
Age Structure						
0-4 years	6.9	6.3	5.7	7.4	6.7	6.4
5-14	12.8	9.8	11.7	12.9	11.9	12.2
15-19	5.9	5.1	6.2	5.6	5.7	6.0
20-24	5.6	7.0	7.8	5.6	6.3	7.1
25-34	12.5	20.9	16.3	15.1	15.7	16.1
35-44	15.3	14.8	13.5	14.7	14.8	14.4
45-54	13.8	12.5	13.3	14.0	13.5	13.0
55-64	11.9	11.3	12.0	11.5	11.7	10.9
65-74	8.5	7.1	7.9	7.4	7.8	7.7
75-84	4.5	3.6	4.1	4.2	4.1	4.2
85+	2.3	1.6	1.5	1.6	1.8	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Family Structure						
Couples Families	28.4	38.5	30.3	29.0	31.4	22.1
Couples Families with Children	54.7	48.1	54.5	52.6	52.5	63.4
Single Parent Family	16.0	11.4	13.8	16.4	14.6	13.2
Other Families	0.9	2.0	1.4	2.0	1.5	1.3
Total Families	100.0	100.0	100.0	100.0	100.0	100.0
Dwelling Occupancy Rate (Persons per dwelling)						
	2.94	2.66	3.00	2.80	2.84	2.78
Occupational Structure						
Managers	13.4	11.2	12.1	13.9	12.7	13.7
Professionals	25.7	33.0	29.1	21.1	27.4	26.3
Technical and Trades	13.2	10.9	11.2	14.5	12.5	11.7
Community and Personal Services	8.4	8.7	8.7	10.1	8.9	9.6
Clerical and Administrative	16.1	15.6	15.3	17.5	16.1	14.6
Sales	8.9	8.8	9.8	8.4	8.9	9.0
Machinery Operators and Drivers	4.5	3.6	4.1	5.5	4.4	5.6
Labourers	7.7	6.5	7.4	7.3	7.2	7.5
Other/Not Stated	2.1	1.7	2.3	1.7	1.9	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Unemployment Rate	4.8%	6.3%	6.7%	6.4%	5.8%	6.4%

TABLE 3.1

SELECTED KEY DEMOGRAPHIC ATTRIBUTES of MELROSE PARK TRADE POPULATION and COMPARATIVE DATA for GREATER SYDNEY REGION, 2016 (% Population)

Variable ...	PTA	STA East	STA North	STA West	Main Trade Area	Sydney SD
Language Spoken at Home						
English Only	53.9	44.4	44.0	58.6	51.0	58.4
Arabic	5.2	1.9	2.3	4.1	3.7	4.0
Chinese	14.0	22.7	7.6	10.7	17.5	8.0
Indo Aryan	2.2	5.8	1.5	2.0	2.9	4.6
South Asian	1.7	0.6	1.0	1.8	1.8	2.0
Korean	5.5	6.2	9.0	4.4	6.0	0.6
Average Annual Household Income (\$2016)	\$100,289	\$100,649	\$100,602	\$92,949	\$97,265	\$103,990

Source: ABS Census, 2016.

4

DEMAND ASSESSMENT

4.1 Introduction

The purpose of this section of the Report is to provide an assessment of the potential demand for additional retail and commercial facilities within the Melrose Park trade area.

Obviously any assessment of the future demand for retail floorspace will be influenced significantly by whether or not existing industrial property in Melrose Park is converted to residential uses and the time-frame over which such conversion takes place. For instance, we understand the industrial properties acquired by PAYCE could accommodate about 5,000 units if redeveloped (including a component of affordable housing).

We have been provided with an internal assessment undertaken by PAYCE which projects that if the entire Melrose Park North precinct (that is, north of Hope Street) was to be rezoned primarily for residential purposes, over time this could produce approximately 7,000 units at full development comprised by:

- ▶ VRS ... 1,200 units
- ▶ Payce ... 5,000 units
- ▶ Other owners ... 800 units.

Over the longer term, if the Melrose Park South precinct (that is, south of Hope Street) is redeveloped for housing it could produce up to 3,000 additional residential units.

Given the above, we have firstly proceeded on the basis of estimating the demand for retail and related services generated by the trade area population in 2016 and projected this to 2026. The proposed residential development comprising approximately 1,200 units on the property located at 657-661 Victoria Road has been taken into account. Secondly, we have prepared estimates of potential retail demand assuming the PAYCE sites and adjacent privately owned sites were to be rezoned to permit about 5,800 units.

4.2 Population Growth

We have prepared an updated population projection for the trade area taking into account recent estimates of population growth at the Statistical Area 2 level (SA2) published by the Australian Bureau of Statistics (ABS).

Estimated resident population growth for selected SA2s published by the ABS for 2016-17 indicate relatively high population growth in those areas relevant to the Melrose Park trade area. These include:

- ▶ Ermington/Rydalmere ... +3.9% per annum
- ▶ Eastwood/Deniston ... +1.6% per annum
- ▶ West Ryde/Meadowbank ... +3.0% per annum.

We have also taken into account estimates prepared by the Department of Planning and Environment in relation to likely dwelling construction up to 2026 in various parts of Ryde Local Government Area (LGA) and the City of Parramatta LGA.

4.2.1 Base Case

As indicated in TABLE 4.1, at the 2016 Census the Melrose Park trade area had a resident population of 33,247 people. We estimate that by 2019 this population will have increased to approximately 35,439 and that it will increase further to 42,055 people by 2026—assuming the redevelopment of the property at 657-661 Victoria Road. The projected total increase in the trade area population between 2016-26 is +8,808 people. The forecast average annual growth (AAG) rate during this period is +2.38% per annum.

TABLE 4.1
ESTIMATED RESIDENT POPULATION (ERP) BASE CASE – MELROSE PARK TRADE AREA, 2016-26 (No. Persons)

Year ...	PTA	STA East	STA North	STA West	Total Trade Area
2016 ERP	12,952	8,280	5,045	6,970	33,247
2019	13,745	8,787	5,291	616	35,439
2021	17,015	9,142	5,451	8,002	39,610
2026	17,883	9,608	5,729	8,835	42,055
Change 2016-26	4,931	1,328	684	865	8,808

Source: Leyshon Consulting Projections, February 2019.

4.2.2 Additional Development

If the PAYCE sites which comprise most of the so-called ‘Northern Precinct’ were rezoned to permit residential development, ultimately they could accommodate up to 12,470 additional residents assuming 5,800 units are developed and have an average occupancy rate of 2.15 persons per dwelling. The latter assumption is based on 2016 Census data which found recently developed flats, units and apartments in the Meadowbank area—an area which has experienced extensive residential redevelopment over the past decade—had an average occupancy rate of 2.15 persons per dwelling.

The addition of 12,470 residents due to redevelopment of the PAYCE sites would increase significantly the potential population of the Melrose Park trade area—namely to some 54,525 persons. This would be +30% greater than the projected population for the Melrose Park trade area in 2026 if no redevelopment of the PAYCE sites occurred—that is, under the ‘Base Case’ (42,055 persons; TABLE 4.1 refers).

4.3 Available Retail Spending – Base Case

Estimates of total available retail spending generated within the Melrose Park trade area for 2019, 2021 and 2026 at constant prices (\$2018) under the ‘Base Case’ are provided in TABLE A1, APPENDIX A. An estimate of available spending in 2026 has been provided as this is anticipated to be the first full year of trading of the proposed centre. These estimates exclude demand generated by rezoning and redevelopment of the PAYCE land adjacent sites for 5,800 units.

4.3.1 Total Available Retail Spending

Estimates of available retail expenditure generated within the defined trade area have been prepared based on household retail expenditure data for the various components of the trade area. These estimates take account of data from the following sources:

- ▶ 2016 ABS Census
- ▶ 2015-16 ABS Household Expenditure Survey
- ▶ 2016-18 ABS Consumer Price Index.

Average annual per capita retail spending levels have been assumed to increase by +0.5% per annum between 2018-21 and by +0.6% per annum between 2021-26.

In summary, total available retail expenditure is projected to grow as follows:

- ▶ 2019 ... \$440.7 million per annum
- ▶ 2021 ... \$496.8 million per annum
- ▶ 2026 ... \$543.3 million per annum.

The overall growth in annual available retail spending in the Melrose Park trade area between 2019-26 is estimated at +\$102.6 million (\$2018).

It should be noted that a proportion of this additional spending (in the order of 7% to 8%) is likely to be captured BY online sales platforms. Despite this, real growth in sales for so-called 'bricks and mortar' retail floorspace should still increase by about \$94.3 million during this period.

4.3.2 Available Supermarket Spending

Between 2019-26 available supermarket spending is projected to grow as follows:

- ▶ 2019 ... \$141.0 million per annum
- ▶ 2021 ... \$159.0 million per annum
- ▶ 2026 ... \$173.8 million per annum.

Total available annual supermarket spending in the Melrose Park trade area is therefore estimated to increase by +\$32.8 million (\$2018) between 2019-26.

4.4 Supportable Retail Floorspace – Base Case

4.4.1 Total Floorspace Demand

Total available annual retail spending generated by trade area residents of some \$440.7 million in 2019 theoretically could support about 67,800m² NLA of retail floorspace assuming an average sales rate of \$6,500 per m² per annum. By 2026, total available annual retail spending in the trade area of \$543.3 million would support about 83,580m² NLA of retail floorspace—an increase in demand of 12,200m² NLA.

Clearly, much of this potential floorspace demand is currently, and will be, accommodated at centres outside of the Melrose Park trade area such as those at West Ryde, Top Ryde, Rhodes, Carlingford, Eastwood, Ermington et cetera.

In our opinion, what these expenditure estimates do suggest is that:

- ▶ there is considerable potential demand for retail floorspace to be provided within the Melrose Park trade area;
- ▶ there will be a need for an additional 12,200m² NLA of retail floorspace to be provided due to **population growth alone** in the Melrose Park trade area as a whole between 2019-26 based on an increase in annual available spending at ‘bricks and mortar’ centres of +\$94.3 (\$2018) during this period;
- ▶ the estimated demand for additional retail floorspace does not rely on the redevelopment of land in the Melrose Park industrial area for residential uses other than the aforementioned site at 657-661 Victoria Road; and

- ▶ the increase in demand for retail floorspace between 2019-26 (12,200m² NLA) justifies the proposed Payce development (12,750m² NLA; 15,000m² GFA).

4.4.2 Supermarket Floorspace Demand

We estimate the existing quantum of available supermarket expenditure (\$141.0 million per annum in 2019) would support up to 14,100m² NLA of supermarket floorspace at an average turnover rate of \$10,000 per m² per annum.

By 2026 annual available supermarket expenditure is projected to have grown to \$173.8 million (\$2018). Theoretically this would support up to 17,380m² NLA of supermarket floorspace at an average turnover rate of \$10,000 per m² per annum.

At present, the only supermarket within the defined trade area is the Woolworths at Ermington (2,500m² NLA). Hence the trade area's current provision of supermarket floorspace falls well short of the notional supermarket floorspace demand (estimated 14,100m² NLA) in 2019. On this basis, therefore, clearly sufficient demand already exists within the trade area for the provision of a full-line supermarket on the PAYCE site plus a small convenience supermarket on the adjoining VRS site.

4.5 Future Spending Growth – Additional Development

As noted above, if existing industrial land at Melrose Park (other than the site at 657-661 Victoria Road) is rezoned for residential and

employment development, a major increase in population and available spending will occur over the next decade.

As indicated in TABLE 4.2 below, the redevelopment of the PAYCE land (and adjoining sites) by 2026 for residential uses could generate additional retail spending of \$161.0 million per annum (\$2018) and an additional \$51.5 million in available supermarket spending.

TABLE 4.2
ESTIMATED ADDITIONAL POTENTIAL RETAIL SPENDING GENERATED by RESIDENTIAL REDEVELOPMENT of MELROSE PARK INDUSTRIAL AREA (\$2018)

Dwellings/Units ...	Potential Units (No.)	Potential Population ¹ (No.)	Estimated Available Retail Spending (\$ Mil. p.a.)	Estimated Available Supermarket Spending (\$ Mil. p.a.)
PAYCE Sites	5,800	12,470	\$161.0	\$51.5

Note 1. Assumed occupancy rates is 2.1 persons per dwelling.
Source: Leyshon Consulting Estimates, February 2019.

Development of the PAYCE land (and adjoining sites) would increase the notional demand for 'bricks and mortar' retail floorspace in the trade area by up to +22,725m² NLA. This is well above the floorspace proposed namely 12,750m² NLA or 15,000m² Gross Floor Area (GFA).

We also understand that commercial office space development is contemplated in the Melrose Park area. This could comprise 15,000m² GFA. Such development could result in an office-based workforce of about 1,250 workers and hence boost demand for retail services in the area.

In general terms an office-based workforce of 1,250 workers could spend an estimated \$5.8 to \$12.8 million per annum (\$2018) at a future centre at Melrose Park depending on its ultimate tenant mix and range of facilities.

5 IMPACT ANALYSIS

5.1 Introduction

The purpose of this section of the Report is to provide an estimation of the impact of the proposed development and to provide an assessment of whether it is likely to generate a net community benefit.

Assessing the impact of any proposed development which may not be operational until 2026 poses some significant challenges.

First, there is no certainty regarding the tenant mix of the proposed development. Furthermore, it is possible that changes in the retail sector generally between 2019-26 could well result changes to any tenancy mix which might be envisaged today.

Second, in the period to 2026 other potentially competing retail proposals may emerge and be approved but about which nothing is known at present.

Third, the assessment of impact on existing centres relies upon an estimation of the sales those centres would be achieving in 2026 prior to the introduction of the proposed development. Clearly, the process of assessing the potential turnover of existing centres some seven years hence is subject to potential inaccuracies.

The above caveats notwithstanding we have prepared an assessment assuming the proposed development will comprise some 12,750m² NLA (15,000m² GFA) of retail floorspace in a single centre anchored by a full-line supermarket of 4,500m² NLA together with 8,250m² of other

retail shops and non-retail services (hereafter referred to as the Town Centre).

In relation to this planned provision of floorspace, we have further assumed that 2,500m² NLA is comprised of non-retail services such as a gymnasium, medical/wellness centre and professional services.

We also understand it is proposed to provide about 15,000m² GLA of commercial floorspace in the Town Centre and potentially a childcare space of about 1,500m².

For the purposes of analysis we have assumed that construction of the residential component of the development would commence in 2021 and that the retail component will be trading by 2025-26.

5.2 Potential Floorspace and Sales

We have made an assessment of the potential sales which could be attracted to the principal centre at Melrose Park assuming only the PAYCE land is redeveloped for residential purposes. In this regard, we have also assumed no planning impediments arise which would affect the development of a centre containing at least one full-line supermarket.

TABLE 5.1 sets out an estimate of the annual sales which potentially could be achieved by the proposed development assuming it commenced trading in 2026.

TABLE 5.1
ESTIMATED DEMAND for RETAIL FLOORSPACE – MELROSE PARK TRADE AREA, 2026 (\$2018)

Category ...	PTA ¹	STA East	STA North	STA West	Total Trade Area	Non Trade Area	Total
Supermarket							
Available Spending (\$ Mil. p.a.)	\$81.4	\$43.3	\$22.9	\$35.0			
Market Share (%)	42.0%	18.0%	8.0%	15.0%	25.1%		
Captured Spending (\$ Mil. p.a.)	\$34.2	\$7.8	\$1.8	\$5.3	\$49.1	\$4.3	\$53.3
Other Floorspace							
Available Spending (\$ Mil. p.a.) ¹	\$172.9	\$92.0	\$48.6	\$74.5			
Market Share (%)	12.5%	8.5%	2.5%	5.5%	5.8%		
Captured Spending (\$ Mil. p.a.)	\$21.6	\$7.8	\$1.2	\$4.1	\$34.7	\$3.0	\$37.8
Total Available Spending							
Available Spending (\$ Mil. p.a.)	\$254.3	\$135.3	\$71.5	\$109.5	\$570.5		
Market Share (%)	21.9%	11.5%	4.3%	8.5%	14.7%		
Projected Total Sales (\$ Mil. p.a.)	\$55.8	\$15.6	\$3.0	\$9.4	\$83.8	\$7.3	\$91.1

Errors due to rounding.

Notes

1. Includes PAYCE site resident spending 2026 only.

Source: Leyshon Consulting Estimates, February 2019.

The sales estimate is based on projected trade area spending in 2026 including the available spending generated by the initial residents of the proposed Melrose Park development. In this regard we have assumed that by 2026 some 1,000 units on the site will have been completed and occupied thus boosting the PTA's resident population by 2,150 people and adding about \$27.8 million per annum (\$2018) to the pool of available retail spending generated in the PTA.

As can be noted from TABLE 5.1, we estimate the proposed centre will achieve total annual sales of some \$91.1 million in 2026 (\$2018). Of this, the centre's supermarket sales are estimated to comprise some \$53.3 million in 2026.

As also set out in TABLE 5.1, we estimate annual sales of \$7.3 million (7.9% of total sales) will be derived from spending at the centre by non-trade area residents. This component of spending will include sales generated from spending by workers in the Melrose Park Town Centre. In addition, it will comprise spending by non-trade area residents attracted by the convenience of a supermarket-anchored centre located in close proximity to Victoria Road.

The proposed centre's overall market share within the MTA is estimated at 14.7% in 2026 . In essence, this means that about 85% of total available retail spending generated in the MTA in 2026 will continue to be directed to other centres in and adjacent to the MTA. The centre's projected average sales rate in 2026 (assuming about 10,250m² of total floorspace is some \$8,887 per m² per annum (\$2018). This is a typical figure for a average sales of single supermarket-anchored centre of the type and scale proposed at the Melrose Park Town Centre.

5.3 Impact of Development

An assessment has been made of the potential impact of the proposed Melrose Park Town Centre on existing centres in 2026. As noted above, in undertaking this assessment we have assumed the proposed centre will be trading by 2026. The impact assessment, detailed in TABLE 5.2 below, projects the following:

- ▶ the sales of existing centres in 2018
- ▶ the sales of existing centres in 2021
- ▶ the sales of existing centres in 2026–prior to the proposed development commencing trading

- ▶ the sales of existing centres in 2026—following the proposed development commencing trading
- ▶ the change in sales at existing centres (in both dollar and percentage terms) in 2026—after completion of the proposed development.

As can be noted from TABLE 5.2, between 2018-26 all centres in the surrounding region are anticipated to experience growth in their sales. This will result from both natural market growth and, in particular, a growing population (and hence an expanding pool of available retail spending) due to ongoing medium and high density housing development which is occurring throughout the MTA and beyond the borders of the MTA.

As set out in TABLE 5.2, we estimate the proposed development will have the following impacts on existing centres in and adjacent to the MTA in 2026—namely:

▶	Top Ryde	...	-\$29.5 million	(-5.9%)
▶	West Ryde	...	-\$21.0 million	(-11.2%)
▶	Ermington	...	-\$5.5 million	(-10.8%)
▶	Eastwood	...	-\$4.0 million	(-2.3%)
▶	Rhodes	...	-\$9.3 million	(-3.6%)
▶	Meadowbank	...	-\$4.5 million	(-9.4%)
▶	Carlingford	...	-\$3.0 million	(-1.4%).

TABLE 5.2
ESTIMATED IMPACT of PROPOSED MELROSE PARK TOWN CENTRE, 2026 (\$ Mil. p.a.; \$2018)

Centre ...	Centre Sales, 2018	Centre Sales, 2021	— Centre Sales, 2026 —		— Change 2026, Pre & Post Development —	
			Pre Development	Post Development	(\$ Mil. p.a.)	(%)
West Ryde	\$158.0	\$172.7	\$186.9	\$165.9	(\$21.0)	(11.2)
Top Ryde	\$423.8	\$463.1	\$501.3	\$471.8	(\$29.5)	(5.9)
Eastwood	\$145.0	\$158.4	\$171.5	\$167.5	(\$4.0)	(2.3)
Ermington	\$45.5	\$48.3	\$50.7	\$45.2	(\$5.5)	(10.8)
Meadowbank ¹	\$38.5	\$43.3	\$47.8	\$43.3	(\$4.5)	(9.4)
Rhodes	\$226.8	\$240.7	\$260.6	\$251.3	(\$9.3)	(3.6)
Carlingford	\$185.7	\$197.1	\$207.1	\$204.1	(\$3.0)	(1.4)
Other Centres	n.a.	n.a.	n.a.	n.a.	(\$7.0)	n.a.
Total Impact – All Centres	n.a.	n.a.	n.a.	n.a.	(\$83.8)	n.a.

Errors due to rounding.

Note 1: Includes station precinct and Bay Drive precinct.

Source: Leyshon Consulting Projections, February 2019.

We estimate the impact on Top Ryde will be greatest in dollar terms in 2026—namely -\$29.5 million (\$2018). This impact largely would be borne by the centre's three major national chain supermarkets assumed to be trading at Top Ryde in 2026—namely Coles, Woolworths and Aldi. The anticipated impact also will be experienced by fresh food and dining-out retailers in the centre.

Similarly, the impact on West Ryde and Ermington will fall predominantly on the national chain supermarkets located in those centres—namely Woolworths at Ermington and Coles and Woolworths at West Ryde. Given that it is inevitable the proposed major supermarket in the subject development at Melrose Park will be operated by either Woolworths or Coles, the majority of the impact on

West Ryde and Ermington will be “internalised” at least as far as one of these two major supermarket chains are concerned.

5.4 Significance of Impact

As a general rule, Australian courts have found that trading (sales) impacts in excess of -10% should be regarded as potentially “significant” and those in excess of -15% as potentially likely to give rise to adverse economic effects characterised by increasing vacancies due to the closure of businesses.

Most economic experts in Australia consider retail trading impacts of less than -5% as being in the “very low” or insignificant category while those in the range of -5% to -10% are regarded as being in the “low/medium” category of impact. In our opinion, impacts of less than 10% would not normally give rise to considerations of adverse economic impact unless the centres being impacted were already (prior to the impact) showing signs of stress, such as high vacancy levels, or had no prospect of increased sales (post impact) arising from population and spending growth.

As previously noted, none of the centres in or adjacent to the MTA (as detailed in TABLE 5.2) are exhibiting signs of stress and all have the potential to benefit from continuing population growth and hence rising retail sales in future years and beyond 2026.

Based on these broad criteria of impact, the impacts of the proposed Melrose Park development in 2026 mostly fall into either the very low or the low/medium category of impact. In our opinion, the impacts of the proposed development are not of a scale which would warrant refusal of the proposed development on economic impact grounds.

Only the centres at Ermington and West Ryde will experience an impact of slightly greater than -10% in 2026. That said, these centres will benefit from rising sales between 2018-26 and beyond 2026 from ongoing residential development proposed at Melrose Park (assuming that is approved).

As noted earlier in this Report, some 7,000 residential units are proposed to be developed in the Melrose Park North precinct in total. If 2,200 units have been completed and occupied by 2026, then (assuming approval) a further 4,800 units will be completed after 2026. Hence unit development after 2026 can be expected to lead to further population growth in the PTA of some 10,300 people.

In turn, population growth after 2026 would give rise to growth in annual available retail spending generated in the PTA of some +\$133.0 million (\$2018) once the proposed residential development is complete.

The estimated growth in spending beyond 2026 exceeds the entire projected sales of the proposed centre in 2026. Hence, if the residential component of the development proceeds as proposed, then any impact of its retail component will be negated within a period of about three years as far as centres such as Ermington, West Ryde and Top Ryde are concerned.

5.5 Planning for Centres

The proposed Town Centre development involves the creation of a new village-type shopping centre.

It is generally considered by planning authorities that new retail development which is required to meet the needs of a growing population ideally should be located in existing centres. This outcome is often not always possible to achieve or appropriate, however.

In 2009, the then Department of Planning released a policy document *Draft Centres Policy – Planning for Retail and Commercial Development*. The document was released as a “Consultation Draft” and was clearly endorsed “Not Government Policy”. The draft policy has never been finalised and hence its status as a guide to planning in New South Wales is at best unclear.

The draft policy nevertheless sets out certain key principles which it argues should apply to the planning of centres. These principles are:

***“Principle 1** – Retail and commercial activity should be located in centres to ensure the most efficient use of transport and other infrastructure, proximity to labour markets, and to improve the amenity and liveability [sic] of those centres.*

***Principle 2** – The planning system should be flexible enough to enable centres to grow, and new centres form.*

***Principle 3** – The market is best placed to determine the need for retail and commercial development. The role of the planning system is to regulate the location and scale of development to accommodate market demand.*

***Principle 4** – The planning system should ensure that the supply of available floorspace always accommodates the market demand, to help facilitate new entrants into the market and promote competition.*

Principal 5 – *The planning system should support a wide range of retail and commercial premises in all centres and should contribute to ensuring a competitive retail and commercial market.*

Principal 6 – *Retail and commercial development should be well designed to ensure it contributes to the amenity, accessibility, urban context and sustainability of centres.”*

The Draft Centres Policy document stresses that at the regional or sub-regional strategic planning level provision should be made for existing centres to grow and new centres to form. It also highlights the need for analysis of the demand for, and supply of, retail floorspace to ensure demands created by population growth are met in a timely manner.

In our opinion, the proposed Town Centre at Melrose Park is consistent with the expectation set out in the Draft Centres Policy—namely that there will be a requirement for new centres, particularly in circumstances such as that proposed Melrose Park, where a substantial increase in population more than justifies the provision of a centre which, in turn, would form the centrepiece of a new urban community.

The Draft Centres Policy also recommended that a “net community benefit test” be applied to rezoning proposals. In our opinion the proposed development at Melrose Park will have a positive net community benefit based on the following factors:

- ▶ the residential development component of the Melrose Park project is of a scale to justify the provision of the proposed retail centre

- ▶ the substantial increase in the residential population which will result from the project proceeding means additional retail floorspace needs to be provided to service both these new residents as well as the existing residential community in Melrose Park and adjacent areas
- ▶ the proposed development will address an existing significant shortfall in retail floorspace in general and supermarket floorspace in particular within the MTA
- ▶ the proposed retail floorspace and the associated community and commercial facilities will provide a new focus for the existing and future community at Melrose Park
- ▶ the proposed Town Centre and associated retail services will constitute a significant attractor for other businesses and employment-generating uses to establish at Melrose Park
- ▶ the proposed development will create substantial on-site employment both during its construction phase and, more importantly, once the centre is completed. This is estimated by AEC to be in the order of 600 to 681 full-time equivalent employment positions; and
- ▶ the proposal's impacts on existing centres are not of a scale which would give rise to concerns about any adverse economic impact which possibly could undermine the viability of existing centres.

5.6 Conclusions

Based on the analysis contained in this Report we consider the proposed rezoning of PAYCE's land at Melrose Park to provide for a new Town Centre of some 15,000m² GFA (12,750m² NLA) is justified based on the existing demand for retail services in the area and the substantial growth in demand which will occur if the residential components of the proposed development are approved.

In summary, it is our assessment the impact of the proposed development in 2026 will not give rise to unacceptable adverse economic impacts on existing centres.

In any event, substantial growth in available resident spending associated with the residential component of the Melrose Park project will generate an estimated \$133.0 million of additional available retail spending (\$2018) after 2026. This will directly benefit not only the proposed centre but other existing centres at nearby Ermington, West Ryde and Top Ryde in particular and will negate any impact of the proposed centre on other existing centres.



APPENDIX A

APPENDIX A

TABLE A1: Estimated Available Spending - Melrose Park Trade Area 2019 (\$2018)

	PTA	East	North	West	MTA Total
2019					
Population	13,745	8,787	5,291	7,616	35,439
Spend per capita pa (\$)	12,196	13,528	11,990	11,911	12,434
Total Spend (\$ mil pa)	167.6	118.9	63.4	90.7	440.7
Spend by Category (\$ mil pa)					
FLG	100.6	71.3	38.1	54.4	264.3
Clothing	12.1	8.6	4.6	6.5	31.8
Household	32.2	22.8	12.2	17.4	84.7
Personal Services	12.0	8.5	4.6	6.5	31.7
Other	10.7	7.6	4.1	5.8	28.2
Total	167.6	118.9	63.4	90.7	440.7
Supermarket	53.6	38.0	20.3	29.0	141.0

TABLE A2: Estimated Available Spending - Melrose Park Trade Area 2021 (\$2018)

	PTA	East	North	West	MTA Total
2021					
Population	17,015	9,142	5,451	8,002	39,610
Spend per capita pa (\$)	12,318	13,664	12,110	12,031	12,542
Total Spend (\$ mil pa)	209.6	124.9	66.0	96.3	496.8
Spend by Category (\$ mil pa)					
FLG	125.7	74.9	39.6	57.7	298.0
Clothing	15.1	9.0	4.8	6.9	35.8
Household	40.3	24.0	12.7	18.5	95.5
Personal Services	15.1	9.0	4.7	6.9	35.7
Other	13.4	8.0	4.2	6.2	31.8
Total	209.6	124.9	66.0	96.3	496.8
Supermarket	67.1	40.0	21.1	30.8	159.0

TABLE A3: Estimated Available Spending - Melrose Park Trade Area 2026 (\$2018)

	PTA	East	North	West	MTA Total
2026					
Population	17,883	9,608	5,729	8,835	42,055
Spend per capita pa (\$)	12,693	14,079	12,478	12,396	12,918
Total Spend (\$ mil pa)	227.0	135.3	71.5	109.5	543.3
Spend by Category (\$ mil pa)					
FLG	136.2	81.1	42.9	65.7	325.9
Clothing	16.4	9.8	5.2	7.9	39.2
Household	43.6	26.0	13.7	21.0	104.4
Personal Services	16.3	9.7	5.1	7.9	39.0
Other	14.5	8.7	4.6	7.0	34.8
Total	227.0	135.3	71.5	109.5	543.3
Supermarket	72.6	43.3	22.9	35.0	173.8

Source: Leyshon Consulting Estimates March 2018