



ESSENTIAL ECONOMICS

Armstrong Creek West Precinct

Activity Centre Advice

Prepared for

Mesh Planning

by

Essential Economics Pty Ltd

10069

November 2010

Authorship

Report stage	Author	Date	Review	Date
Draft report	Sean Stephens	21 June 2010	John Henshall	22 June 2010
Final report	Sean Stephens	16 November 2010		

Disclaimer

Although every effort has been made to ensure the accuracy of the material and the integrity of the analysis presented herein, Essential Economics Pty Ltd accepts no liability for any actions taken on the basis of the contents of this report.

Contact details

For further details please contact:

Essential Economics Pty Ltd
96 Pelham Street
Carlton
Victoria 3053
Australia
PH 61 3 9347 5255
FAX 61 3 9347 5355
EMAIL mail@essentialeconomics.com
WEB www.essentialeconomics.com

ABN 38 894 627 397

Contents

INTRODUCTION	1
1 ARMSTRONG CREEK GROWTH AREA ACTIVITY CENTRE PLANNING	2
Armstrong Creek Location and Description	2
Armstrong Creek Growth Area Plan	2
Conclusion.....	7
2 ARMSTONG CREEK WEST NEIGHBOURHOOD ACTIVITY CENTRE ASSESSMENT	9
Trade Area	9
Population and Spending.....	9
Market Assessment	13
Conclusion.....	17
3 ACTIVITY CENTRE PLANNING ISSUES FOR ARMSTRONG CREEK WEST.....	18

INTRODUCTION

Background

Mesh Planning are currently preparing the Armstrong Creek West Precinct Structure Plan (PSP). Advice is required on issues relating to activity centre planning and development in order to inform preparation of the PSP.

In particular, Mesh are seeking analysis of the potential for development of a neighbourhood activity centre in Armstrong Creek West, and the potential implications for the Local activity centres and the proposed Armstrong Creek Major Activity Centre.

This advice is intended for the internal use of Mesh in preparation of the Armstrong Creek West PSP.

1 ARMSTRONG CREEK GROWTH AREA ACTIVITY CENTRE PLANNING

- 1.1 This section discusses the context of activity centre planning for the Armstrong Creek West precinct, including an overview of the Armstrong Creek Urban Growth Plan and the proposed hierarchy of activity centres.

Armstrong Creek Location and Description

- 1.2 Armstrong Creek is a new urban growth area located on the southern edge of urban Geelong. Over half of the forecast population growth in the broader Geelong region over the next 25 years is expected to be located in the growth area. Development of Armstrong Creek begins late in 2010.
- 1.3 The Armstrong Creek growth area is located immediately south of the railway line at Marshall. The Surf Coast Highway runs north-south through the middle of the future growth area and is the major road linking Geelong and the Surf Coast region. At present the Armstrong Creek area is primarily rural in nature.
- 1.4 In a general sense, the location of the Armstrong Creek growth area is relatively self-contained. The northern boundary of the area is defined by the existing railway and Barwon River, which limit the degree of integration with the existing urban areas of Geelong. Connectivity with the Bellarine Peninsula to the east is also constrained by the Barwon River, and areas to the west are rural in nature.
- 1.5 Torquay and the Surf Coast region are located to the south and with easy access from Armstrong Creek via the Surf Coast Highway, although physical integration between the growth area and Torquay will be reduced by the alignment of Thompson Creek and maintenance of a rural buffer.

Armstrong Creek Growth Area Plan

Background

- 1.6 In May 2008 the Armstrong Creek Urban Growth Plan (UGP) was adopted. The Plan provides a framework for development of the urban growth area which includes a vision statement stating:

The Armstrong Creek urban growth area will be developed into a sustainable community that sets new benchmarks in best practice urban development. Natural and cultural features will be protected and enhanced to create a distinct urban character. Armstrong Creek will become a highly sought-after location for living, working and recreation, forming an attractive addition to Geelong. (Volume 1 p7).

An updated version of the UGP Framework Plan was adopted in 2010 as part of Amendment C207 to the Greater Geelong Planning Scheme.

- 1.7 The UGP seeks to guide the development of Armstrong Creek in a way which meets best-practice urban planning principles, including "*an emphasis on environmental sustainability, water sensitive urban design, social/community needs and provision of a range of residential densities and styles*" (p11).
- 1.8 At full development, Armstrong Creek is expected to accommodate approximately 22,000 new households, or a total population of approximately 54,000 persons.
- 1.9 Based on typical labour force participation rates of approximately 50%, Armstrong Creek is forecast to have a potential resident labour force of approximately 27,000 persons.
- 1.10 An important component of the UGP relates to employment and business development. It is recognised that established employment areas in Geelong and the broader region will provide employment to many residents of the urban growth area. However, the UGP provides a jobs target of up to 23,000 positions in Armstrong Creek. According to the development framework identified in the UGP, this employment target is to be achieved on the following basis:
- activity centres: 4,400 jobs
 - industrial precincts: 15,400 jobs
 - home based businesses: 2,200 jobs
 - other: 1,000 jobs.

Retail and Activity Centres

- 1.11 In terms of activity centre planning, the UGP (correctly) recognises the importance of retail in determining the activity centre hierarchy and generating the visitation which creates synergies with other non-retail uses such as community services and commercial office.
- 1.12 An activity centre hierarchy has been identified in the UGP for Armstrong Creek which incorporates the following:

Major Activity Centre (MAC) - to be developed on the eastern side of the Surf Coast Highway and incorporating sub-regional retail and other functions. Total retail floorspace is estimated at 60,000m², including 35,000m² of shop floorspace and 25,000m² of restricted retail.

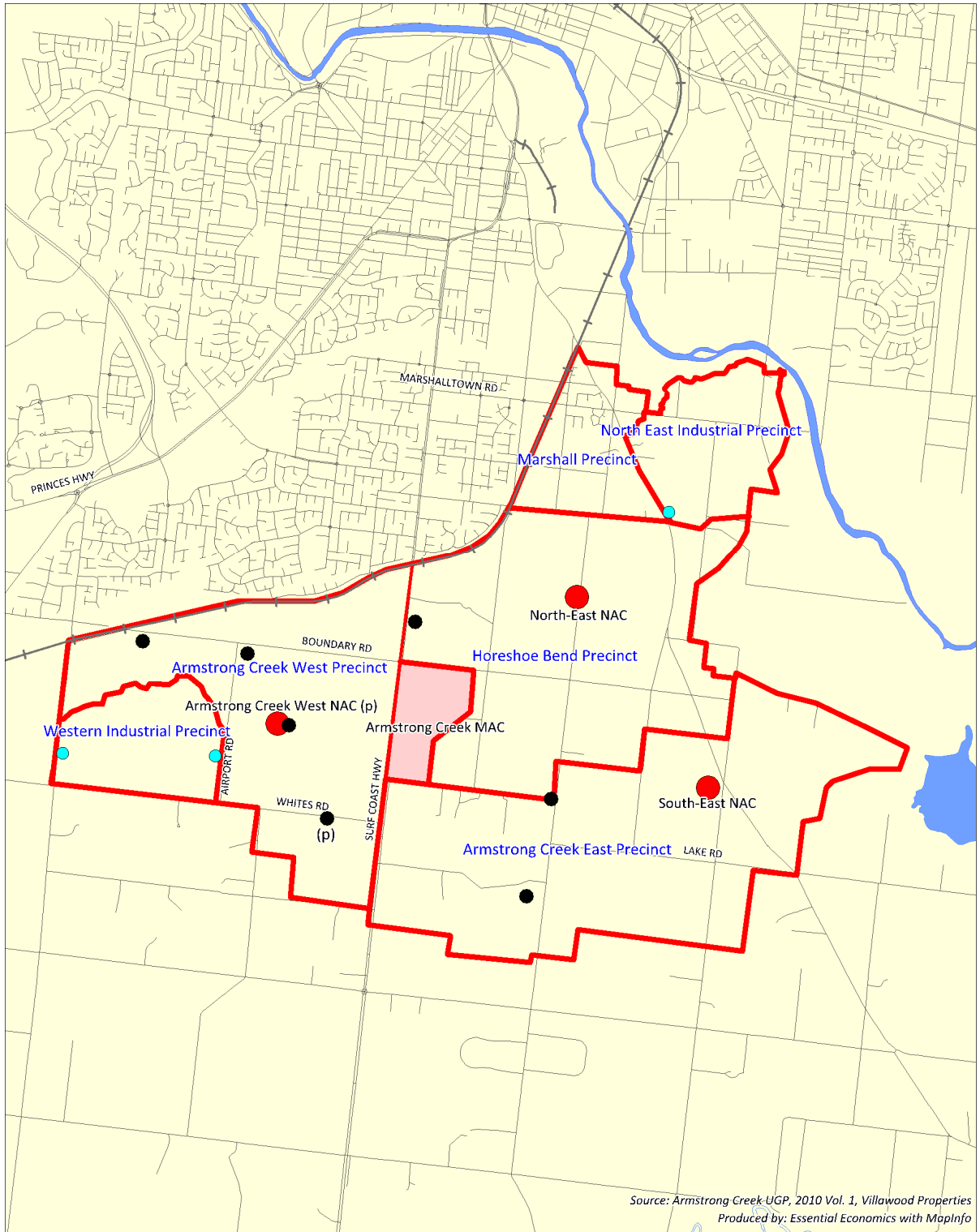
Neighbourhood Activity Centre (NAC) - two to be developed in the North-East (Horseshoe Bend) and South-East (Armstrong Creek East) precincts. North-East NAC to be capped at 7,000m² in order to encourage early development of the South-East NAC which is expected to have approximately 6,000m² of retail floorspace.

Local Centres within Residential Areas (LAC) - the UGP divides these into three categories.






1. Local Centres which include up to 1,000m² of retail as well as containing a range of community facilities
2. Local Shops which contain up to 1,000m² of retail
3. Corner shops which contain a general store.

Approximately 7,500m² of Local Activity Centres in Residential Areas are identified in the UGP.

ARMSTRONG CREEK WEST
ACTIVITY CENTRE ADVICE



Map 1 Armstrong Creek Growth Area and Proposed Activity Centres

- | | | | |
|---|---|---|--|
|  | Armstrong Creek Urban Growth Area and Precincts |  | Neighbourhood Activity Centre |
|  | Major Activity Centre |  | Local Activity Centre |
|  | Specialised Activity Centre | (p) | Proposed for inclusion subject to approval |



Specialised Activity Centres (SAC) - specialised centres are proposed in the UGP in association with identified employment areas. These centres are intended to contain a range of basic retail services aimed at meeting the needs of the local workforce, as well as specialised commercial activities such as research and development.

- 1.13 According to the UGP, a total of approximately 83,500m² of retail floorspace is expected to be provided across the activity centre hierarchy in Armstrong Creek. Over 70% of this retail floorspace is to be provided in the proposed MAC, while approximately 16% of retail floorspace is expected to be located in NACs. The retail floorspace distribution is shown in Table 1.1.

Table 1.1 Armstrong Creek Urban Growth Plan - Proposed Retail Floorspace

Hierarchy	Retail Floorspace	Share of Total Floorspace
Major Activity Centre		
- Shop	35,000m ²	42%
- Restricted Retail	25,000m ²	30%
Total Major Activity Centre	60,000m ²	72%
Neighbourhood Activity Centres	13,000m ²	16%
Local Activity Centres	7,500m ²	9%
Specialised Activity Centres ¹	3,000m ²	4%
Total	83,500m²	100%

Source: Armstrong Creek Urban Growth Plan Vol 1, 2010

1. Estimate of retail floorspace

- 1.14 In general terms, the provision of floorspace to NACs of 16% that is identified in the UGP is lower than the typical share in urban areas of Australia of around 25%. In the Geelong Retail Strategy 2006, prepared by Essential Economics, 24% of retail in the activity centre hierarchy was either in a neighbourhood activity centre, or the similar classification of town centre applied to areas outside urban Geelong (such as Lara and Portarlington).
- 1.15 In effect, the activity centres hierarchy identified in the UGP can be considered to be relatively "top heavy" in that a higher than normal share of floorspace is concentrated in a single large MAC. This implies that the MAC will be a destination for a higher than normal share of visitation from residents of the Armstrong Creek urban growth area. Residents will be undertaking convenience and other lower-order shopping trips at the MAC, in addition to the weekly and higher-order shopping trips typically associated with the sub-regional shopping role envisaged for the Armstrong Creek MAC.

Armstrong West Precinct

- 1.16 Armstrong Creek is divided into seven precincts. These precincts have been determined in the UGP based on a range of factors relating to drainage catchments and land ownership, and to reflect degrees of self-containment.
- 1.17 The Armstrong Creek West precinct is located west of the Surf Coast Highway. Immediately south-west of the Armstrong Creek West is the Western Industrial Precinct. According to preliminary analysis and current development expectations, the precinct is expected to have a total population of approximately 14,000 persons at full development.

- 1.18 Armstrong Creek West will have a only limited degree of physical integration with established areas of Geelong, as well as other precincts in the Armstrong Creek growth area due to barriers including:
- Surf Coast Highway (which is expected to be upgraded to 6 lanes)
 - existing railway line to the north
 - proposed Armstrong Creek MAC to the east
 - existing and proposed quarry to the west.
- 1.19 Surf Coast Highway is proposed in the UGP to be developed with a "boulevard" treatment which is aimed at improving the degree of integration between urban areas on the eastern and western sides of the road. Nonetheless, Surf Coast Highway will continue to be an important physical boundary between Armstrong Creek West and parts of the growth area located to the east.
- 1.20 This self-contained urban development pattern for Armstrong Creek West has important implications for retail and activity centre planning in the precinct which are discussed later in this report.
- 1.21 The proposed activity centre hierarchy for the Armstrong Creek West Precinct identified in the UGP includes three LACs located in residential areas and two SACs located on the fringe of the proposed employment area located to the south-west.
- 1.22 If the proposed LACs and SACs centres were all to contain 1,000m² of retail floorspace, this would mean the Armstrong Creek West precinct is served by a total of 5,000m² of retail floorspace. However, all five centres would only contain basic convenience retail, and in a functional sense only minimal differences would exist in the function served by these centres. This means that there would be little diversity between activity centres provided for in current planning for the precinct.
- 1.23 The Armstrong Creek MAC is located immediately to the east of the Surf Coast Highway, while a LAC is proposed for a site on the eastern side of the Surf Coast Highway, south of the existing railway line. Both centres would be regularly used by residents of the Armstrong Creek West precinct, although accessibility is compromised by the barrier provided by the Surf Coast Highway (recognising the Boulevard-type design seeks to minimise any barrier effect).
- 1.24 In terms of activity centre planning, the UGP recognises the importance of retail in determining the activity centre hierarchy and in generating the visitation which creates synergies with other non-retail uses. On this basis, it is appropriate for retail-economic analysis to form the basis of activity centre considerations in areas including the Armstrong Creek West precinct. However, this is subject to the achievement of complementary objectives relating to non-retail based outcomes for activity centres identified in activity centre policy.
- 1.25 The first principle for activity centre development identified in the UGP is that:

An activity centre should be located provided at the heart of each neighbourhood, containing locally-oriented facilities and services - convenience shops, a primary school (in most cases), community services and local sporting facilities. (p76).

This outcome is not achieved for the Armstrong Creek West precinct which is not allocated a NAC in the UGP.

- 1.26 Based on the activity centre hierarchy identified in the UGP, the neighbourhood-level retail requirements of the population will be largely served by the Armstrong Creek MAC. Some spending is expected to be directed to the other two NACs in Armstrong Creek, and potentially elsewhere in urban Geelong, however this is expected to be minimal in view of the self-contained nature of the precinct.
- 1.27 As an MAC serving a sub-regional retail function, the Armstrong Creek MAC will contain a comprehensive range of grocery and neighbourhood-level shopping facilities. However, for residents of the Armstrong Creek West precinct, this means they will have to:
- cross the busy Surf Coast Highway to access neighbourhood-level facilities,
 - visit a large-scale MAC to meet relatively simple neighbourhood-level shopping needs, and
 - experience the lack of a neighbourhood activity centre in Armstrong Creek which would also operate as a community focal point for residents.
- 1.28 A further issue to note is the reliance of existing activity centre planning for Armstrong Creek on a range of small LACs and SACs. Experience shows that small convenience-oriented activity centres of 1,000m² and less have struggled for commercial viability over the past 20 years due to a range of factors, including:
- increased presence and popularity of convenience shops attached to petrol stations,
 - extended trading hours of supermarkets and the use of 'express lanes' which make supermarkets more convenient for small purchases, and
 - the popularity of neighbourhood-level shopping facilities anchored by supermarkets which offer a greater diversity of traders, higher levels of activity and greater product choice than small local centres.
- 1.29 Although it is reasonable for planning policies to allow for local retail facilities which promote convenience and walkability in new urban areas, this needs to be achieved in a way which reflects commercial and economic realities. Small convenience-based centres are typically most successful where they have high degrees of accessibility and visibility to a large potential customer base. This is most often achieved at prominent corner locations on busy roads or where another activity generator is co-located or situated nearby.
- 1.30 It is appropriate that the PSP currently being prepared for Armstrong Creek West considers ways in which appropriate changes may be made to the currently proposed activity centre hierarchy. The currently proposed centre hierarchy provides limited choice to residents of the Armstrong Creek West precinct, and most importantly does not provide convenient and accessible neighbourhood-level facilities. Such outcomes appear inconsistent with some of the broad goals identified for the development of the Armstrong Creek UGP.

Conclusion

- 1.31 Armstrong Creek growth area will accommodate over half of the population growth forecast for Geelong over the next 25 years. The activity centre hierarchy defined for Armstrong Creek in

the UGP is relatively 'top heavy' and has a low share of floorspace at the NAC level. In the Armstrong Creek West precinct a total of 3 LACs and two SACs (serving the adjacent employment area) are nominated, with all five centres expected to contain up to 1,000m² of convenience retail. No NAC has been nominated for Armstrong Creek West despite an expected population of approximately 14,000 residents at full development. Residents of Armstrong Creek West will visit the nearby Armstrong Creek MAC for most of their neighbourhood-level shopping and other needs, despite the need to cross the Surf Coast Highway.

- 1.32 In preliminary terms, it is appropriate that the Armstrong Creek West PSP considers opportunities to provide a NAC directly serving the precinct, and reviews the appropriate role, location and function of the proposed LACs. Such a review will ensure that future residents of Armstrong Creek West are served by activity centres that provide an appropriate range of retail and other services in a manner which promotes economic, social and environmental sustainability.

2 ARMSTONG CREEK WEST NEIGHBOURHOOD ACTIVITY CENTRE ASSESSMENT

- 2.1 This section provides an economic assessment of the potential for changes to the activity centre hierarchy serving the Armstrong Creek West precinct to include a NAC. The implications of an Armstrong Creek NAC for the LACs proposed in the Armstrong Creek UGP are also considered.

Trade Area

- 2.2 The trade area that would be served by the proposed Armstrong Creek West NAC is primarily influenced by:
- the proposed location in the centre of the precinct
 - the limited exposure that the proposed site will have to non-Armstrong Creek West residents
 - the highly self-contained nature of the Armstrong Creek West precinct
 - the presence of the proposed Armstrong Creek MAC approximately 1km to the east.
- 2.3 Based on these factors, the trade area defined for the proposed Armstrong Creek West neighbourhood centre includes the precinct itself, in addition to the proposed employment area located immediately to the south-west.

Population and Spending

- 2.4 According to preliminary planning for the Armstrong Creek West precinct undertaken by Mesh Planning, the population at capacity is expected to be in the order of 14,000 residents. Subject to more detailed planning, there is the potential for this population to vary from this figure, although any such change is not expected to be significant.
- 2.5 For the purposes of the analysis in this section, a population of 14,000 persons at full-development is assumed for Armstrong Creek West. This reflects a forecast lot production of 5,730 dwellings, including a mix of traditional and higher density dwelling types, and a conservative estimate of 2.45 persons per household on average.
- 2.6 In addition to the permanent resident population living in Armstrong Creek West, a significant workforce population is also forecast to locate in the adjacent employment area. This workforce population is likely to regularly use nearby activity centres, including the proposed Armstrong Creek West NAC, for a wide range of retail and non-retail purchases.
- 2.7 Based on the 155 hectares of employment land located south-west of the proposed centre, potential will exist to generate 3,500 to 7,500 jobs. The final level of employment generated is dependent upon the types of industries which are attracted to the precinct and the employment densities achieved.

Socio-Economic Profile

2.8 At the time of the 2006 Census of Population and Housing, the socio-economic characteristics of residents living in four residential growth areas in the Geelong region, as presented in Table 2.1, showed:

- average income levels between 8% and 23% above the Regional Victorian average
- average household sizes of between 2.6 and 2.9 persons per household
- generally, a younger than average age profile relative to the Regional Victorian average, with the exception of Barwon Heads-Ocean Grove which had a slightly older age profile due to a higher share of retirees
- higher than average share of detached dwellings, with the exception of Marshall-Waurn Ponds, where 14% of dwellings were units/apartments relative to the benchmark of 6.2% for Regional Victoria
- high levels of houses occupied by mortgagees, with relatively low shares of homes either fully owned or rented
- relatively high housing costs expressed in terms of both mortgage payments (up to 48% above Regional Victoria average) and rents (up to 91% above Regional Victoria average)
- high shares of managers and professionals living in Barwon Heads-Ocean Grove and Torquay - Jan Juc, with blue-collar employees more likely to live in Waurn Ponds - Marshall and Lara.

2.9 This comparison indicates that in general terms the Armstrong Creek West precinct is expected to accommodate a population with the following characteristics relative to Regional Victoria (see also Table 2.1):

- slightly above average household income
- young age profile
- high share of mortgagees
- relatively high housing costs (compared to Regional Victoria benchmarks)
- a mix of blue and white collar employment types.

Table 2.1 Growth Area Socio-Economic Profile Comparison, 2006

Indicator	Barwon Heads- Ocean Grove	Lara	Torquay- Jan Juc	Marshall- Waur ponds	Average Growth Area	Regional Victoria
Income						
Mean h'hold income per capita	\$26,471	\$24,185	\$26,384	\$23,216	\$24,657	\$21,492
Variation from Regional Victoria	+23.2%	+12.5%	+22.8%	+8.0%	+14.7%	
% of h'holds earning > \$2,000pw	18.6%	18.6%	21.9%	12.6%	17.2%	10.3%
Average household size	2.69	2.90	2.84	2.60	2.76	2.47
Age Structure						
0-14 years	20.8%	26.3%	24.3%	22.5%	23.8%	20.4%
15-24 years	12.0%	12.5%	10.4%	13.2%	12.2%	12.4%
25-44 years	23.2%	31.9%	29.5%	31.7%	30.0%	24.5%
45-64 years	29.1%	21.7%	26.4%	18.9%	22.9%	26.7%
65 years and over	14.9%	7.6%	9.3%	13.6%	11.0%	16.0%
Median age (years)	40	32	37	33	35	39
Place of Birth						
Australia	86.4%	85.8%	86.5%	86.8%	86.4%	89.4%
Other Major English Speaking	9.4%	7.9%	8.8%	7.0%	8.0%	5.3%
Other overseas born	4.1%	6.3%	4.7%	6.3%	5.6%	5.3%
% English only spoken at home	97.7%	94.8%	96.1%	94.3%	95.4%	95.2%
Occupied Private Dwellings						
Detached	96.4%	91.7%	94.8%	84.7%	90.7%	89.0%
Semi-detached	1.5%	4.0%	5.0%	0.9%	2.8%	3.5%
Flat/unit or apartment	1.5%	4.3%	0.0%	14.0%	6.3%	6.2%
Other	0.6%	0.0%	0.2%	0.4%	0.3%	1.3%
Home Ownership						
Fully owned	41.0%	28.9%	34.3%	27.8%	31.5%	41.2%
Being purchased	44.7%	52.0%	48.0%	48.6%	48.9%	34.6%
Renting	13.9%	18.8%	17.0%	20.0%	18.1%	23.5%
Housing Costs						
Median home loan repayment	\$1,362	\$1,285	\$1,500	\$1,344	\$1,340	\$1,011
Variation from Regional Victoria	+34.7%	+27.1%	+48.3%	+32.9%	+32.5%	-
% repayments > \$2,000 per month	21.6%	10.7%	29.4%	13.6%	16.8%	9.4%
Median rental payment (weekly)	\$214	\$198	\$279	\$193	\$210	\$146
Variation from Regional Victoria	+47.3%	+35.7%	+91.3%	+32.3%	+44.4%	-
Employment						
Labour force participation rate	64.9%	71.0%	70.4%	67.2%	68.7%	61.8%
Occupation						
Managers & professionals	37.9%	24.5%	39.6%	26.0%	30.3%	32.5%
Clerical & sales workers	36.1%	37.2%	34.9%	37.7%	36.7%	31.2%
Technicians & trades workers	17.0%	18.4%	15.5%	18.6%	17.6%	15.7%
Machinery operators & drivers	3.4%	9.4%	2.9%	7.7%	6.5%	7.2%
Labourers & related workers	5.6%	10.5%	7.1%	10.0%	8.9%	13.4%

Source: 2006 ABS Census of Population and

Note: MESC Major English Speaking Countries - Canada, Ireland, New Zealand, South Africa, UK, USA

Retail Spending

- 2.10 Per capita retail spending by residents of the four selected residential growth areas in the Geelong region is estimated to be above the Regional Victorian average. Retail spending levels are highest in Torquay - Jan Juc (\$13,750 per capita) and lowest in the residential growth areas of Marshall - Waurn Ponds (\$11,790 per capita). Average spending across the four growth areas

is \$12,690 per capita or 9% above the Regional Victorian benchmark. These estimates of retail spending have been prepared with the MarketInfo retail spending model and are inclusive of GST and expressed in 2009 dollars. Table 2.2 shows the various per capita spending figures.

Table 2.2 Growth Area Retail Spending Per Capita Comparison, 2009 (\$2009)

Spending Category	Barwon Heads- Ocean Grove	Lara	Torquay-Jan Juc	Marshall- Waur ponds	Average Growth Area	Regional Victoria
Food, Liquor and Groceries	\$5,120	\$4,980	\$5,240	\$4,840	\$5,040	\$4,930
Food Catering	\$1,160	\$1,020	\$1,210	\$1,010	\$1,100	\$960
Non Food	\$6,480	\$5,810	\$6,680	\$5,580	\$6,140	\$5,360
Services	\$460	\$370	\$440	\$360	\$410	\$370
Total Retail	\$13,220	\$12,180	\$13,570	\$11,790	\$12,690	\$11,620
<i>Variation from Regional Victoria</i>	<i>+13.8%</i>	<i>+4.8%</i>	<i>+16.8%</i>	<i>+1.5%</i>	<i>+9.2%</i>	<i>+0.0%</i>

Source: MarketInfo; Essential Economics

- 2.11 Although development in the Armstrong Creek growth area is expected to begin in late 2010, the final timing of full development in the Armstrong Creek West precinct remains unknown. Given this uncertainty, the retail-economic analysis is based on current rates of retail spending expressed in constant 2009 dollars.
- 2.12 At full development, total retail expenditure by residents of Armstrong Creek West would be approximately \$178 million. This is based on the forecast population of 14,000 persons for Armstrong Creek West and \$12,690 of per capita retail spending estimated for residents of the growth areas in Geelong region, as shown in Table 2.3.

Table 2.3 Armstrong Creek West Resident Retail Spending at Full Development (\$2009)

Spending Category	Armstrong Creek West Precinct
Food, Liquor and Groceries	\$70.6m
Food Catering	\$15.4m
Non Food	\$86.0m
Services	\$5.7m
Total Retail	\$177.7m

Source: MarketInfo; Essential Economics

- 2.13 Armstrong Creek West residents are forecast to spend approximately \$70.6 million on Food, Liquor and Grocery (FLG) spending at full development, assuming current 2009 retail spending patterns. This is the spending category which covers supermarkets, fresh food and other grocery retailing and which comprises a large share of neighbourhood-level shopping. Residents would also spend approximately \$15.4 million on Food Catering (cafes, restaurants and takeaway), as well as \$86.0 million on non-food retail categories and \$5.7 million on retail services (all figures in 2009 dollars).

Market Assessment

Competition

2.14 A neighbourhood activity centre in the Armstrong Creek West precinct would be competing with a number of centres and retail stores for a share of retail spending. This includes the Local centres within Armstrong Creek West, other centres located in the Armstrong Creek urban growth area, and centres located in Geelong and further afield. Table 2.4 shows a summary of the main centres of competitive relevance.

Table 2.4 Competing Centres to Armstrong Creek West NAC

Centre	Distance	Current and <i>Proposed</i> Retail Floorspace
Armstrong Creek MAC	1km	60,000m ²
Armstrong Creek North East NAC	3km	7,000m ²
Waurm Ponds Shopping Centre	3km	21,000m ² (35,000m ²)
Armstrong Creek South East NAC	4km	6,000m ²
Central Geelong	9km	110,000m ²
Torquay Town Centre	12km	18,000m ²

Source: Essential Economics

2.15 The proposed Armstrong Creek MAC is the centre which is clearly of most competitive relevance to the proposed Armstrong Creek West NAC. Although primarily a higher-order centre, the MAC will generate a high market share from residents of the Armstrong Creek West precinct due to its relative proximity and accessibility.

Supermarket Assessment

2.16 A neighbourhood activity centre is typically anchored by one or more supermarkets which generate the customer traffic that supports other retail facilities such as specialty stores, as well as supporting non-retail services. A neighbourhood centre in Armstrong Creek West would serve the day-to-day and weekly shopping needs of most households, including a comprehensive food and grocery retail offer.

2.17 An analysis of the market potential for supermarket development at the Armstrong Creek West activity centre is presented in Table 2.5, taking into account the forecast population capacity in the Armstrong Creek West precinct, and assuming that a full-line supermarket (3,000m²) is trading at the centre.

Table 2.5 Supermarket Turnover Forecasts for Armstrong Creek West NAC (\$2009)

Factor	Full Development
<u>FLG Spending</u>	
Trade Area	\$70.6 m
<u>FLG Spending to Supermarkets</u>	
Trade Area (@80% of total FLG Spending)	\$56.4 m
<u>Market Share Achieved by Armstrong Creek West Activity Centre Supermarkets</u>	
Trade Area	35%
<u>FLG Spending to Armstrong Creek West Activity Centre Supermarkets</u>	
Trade Area	\$19.8 m
Plus Sales from Beyond TA and Non-Resident Workforce (@12.5%)	\$2.8 m
Total Supermarket FLG Turnover	\$22.6 m
Plus Non-FLG Sales (@8%)	\$2.0 m
Available Spending to Armstrong Creek West Activity Centre Smkt	\$24.5 m
Total Armstrong Creek West Activity Centre Supermarket Floorspace	3,000m ²
Armstrong Creek West Activity Centre Smkt Average Turnover Level	\$8,180/m²

Source: Essential Economics, MarketInfo

FLG - Food, Liquor and Groceries

2.18 The analysis in Table 2.5 can be described as follows:

- An estimated 80% of FLG spending is directed to supermarkets, based on the typical distribution of this type of expenditure and the site's location in a new outer-suburban growth area. The balance of FLG spending is directed to specialty stores and other food retailers. On this basis, FLG spending by trade area residents at supermarkets is estimated at \$56.4 million at full development and expressed in 2009 dollars.
- Of the FLG spending directed to supermarkets by trade area residents, an estimated 35% of supermarket spending is forecast to be spent at the Armstrong Creek West activity centre. This market share relies on the operator of the supermarket being a major chain retailer (i.e. Coles or Woolworths). The balance of supermarket spending will be primarily directed to stores at the Armstrong Creek MAC and other centres in the region.
- A proportion of sales will also be generated from non-trade area residents, including from the nearby workforce in the employment area. An estimated 12.5% of supermarket turnover is forecast to be generated from non-trade area residents.

2.19 A small share of turnover (8%) at supermarkets is derived from non-food product categories.

2.20 The analysis indicates that the total turnover achieved by a full-line supermarket at the Armstrong Creek West NAC is forecast at approximately \$24.5 million at full development (expressed in 2009 dollars).

2.21 Based on a forecast trading level of \$8,180/m², it is apparent that sufficient market demand exists to support a full-line supermarket at the centre assuming a population of 14,000 persons in the Armstrong Creek West precinct at full development.

2.22 Although this trading level is sufficient to support and attract a major chain supermarket, it is slightly below the average trading level of around \$8,500/m² to \$9,500/m² achieved by most major chain supermarket stores. This suggests a 3,000m² full-line supermarket is an appropriate size for the proposed centre and that a larger store would trade at levels further below industry benchmarks.

Forecast Centre Trading Performance

- 2.23 A full-line supermarket in Australia will generally create the customer traffic and exposure able to support specialty shops equivalent to approximately two-thirds of the supermarket's total floorspace. On this basis, a full-line supermarket of 3,000m² at Armstrong Creek West would support approximately 2,000m² of retail specialty shops at this location.
- 2.24 Some limited scope may also exist for small-scale commercial office space, although this potential should be subject to market testing at the appropriate time and is unlikely to exceed around 500m².
- 2.25 Based on a development scheme incorporating a full-line supermarket of 3,000m² and approximately 2,000m² of specialty shops, total retail turnover at the Armstrong Creek West neighbourhood activity centre is forecast to be approximately \$35.7 million expressed in current 2009 dollars. This represents an average trading level of \$7,140/m² for the overall centre which is consistent with acceptable trading conditions for a neighbourhood retail activity centre. These calculations are shown in Table 2.6.

Table 2.6 Armstrong Creek West NAC Forecast Turnover (\$2009)

	Full Development		
	GLA	Turnover (\$/m ²)	Turnover (\$m)
Full-Line Supermarket	3,000m ²	\$8,180/m ²	\$24.5m
Specialty Retail			
- Food	800m ²	\$6,750/m ²	\$5.4m
- Non Food	1,200m ²	\$4,800/m ²	\$5.8m
Total Specialties	2,000m ²	\$5,580/m ²	\$11.2m
Total Neighbourhood Centre	5,000m²	\$7,140/m²	\$35.7m

Source: Essential Economics

- 2.26 Based on this forecast trading level, the market share forecast to be achieved by the proposed Armstrong Creek West activity centre is forecast to be approximately 17.6% of total retail spending by residents of the precinct, as shown in Table 2.7. This allows for approximately \$4.5 million or 12.5 % of total sales at the centre to be derived from people living outside the trade area and from the non-resident workforce.

Table 2.7 Armstrong Creek West NAC Market Share, Full Development (\$2009)

	Turnover	Turnover Distribution	Retail Spending	Market Share
Main Trade Area	\$31.2m	87.5%	\$177.7m	17.6%
Beyond Main Trade Area	\$4.5m	12.5%		
Total Centre	\$35.7m	100%		

Source: Essential Economics

- 2.27 The forecast market share of 17.6% is below the typical market share of approximately 20% to 25% typically achieved by successful neighbourhood activity centres in suburban areas of Australia. This lower market share reflects the proximity of the proposed Armstrong Creek MAC located just 1km to the east, and the fact that this MAC will attract high market shares from the

trade area served by the proposed Armstrong Creek West NAC. Nonetheless, the proposed Armstrong Creek West NAC will trade successfully at the forecast 17.6% market share.

Local Activity Centres

- 2.28 A total of three LACs are identified for the Armstrong Creek West precinct in the Growth Area Plan. Development of the Armstrong Creek West NAC would effectively replace the nominated LAC identified generally for a site located 1km west of the Armstrong Creek MAC.
- 2.29 The other two LACs identified in the Growth Area Plan are nominated for sites:
- at the corner of Boundary Road and Airport Road approximately 1km north-west of the proposed Armstrong Creek West NAC
 - adjacent to a proposed new railway station on Boundary Road in the north-west corner of the precinct.
- 2.30 Consideration is also being given to the creation of an LAC on Whites Road in the south of the Armstrong Creek West precinct. This centre is likely to co-locate with a school and provide convenience-oriented goods and services to residents and visitors of this part of the precinct,
- 2.31 Given the convenience role served by LACs and the strong competition for convenience oriented retail spending (see also paragraph 1.27), it is vitally important that in order to achieve commercial viability, LACs are located so that their accessibility and visibility to potential customers is maximised.
- 2.32 Accessibility and visibility is most often achieved where LACs are located at prominent corner sites on busy connector roads, or where an activity generator exists, such as a railway station, large school etc. The three LACs nominated in the balance of the Armstrong Creek West precinct are consistent with these locational criteria.
- 2.33 Experience shows that LACs with more than 1,000 residents or 400 dwellings within a 400 metre radius are far more likely to trade successfully than centres with a lower population living in proximity. For people living within this radius, the LAC is likely to be regularly used for a range of convenience retail needs due to the centre's relative accessibility and walkability compared with larger centres serving larger catchments. In effect, centres with 1,000 residents living within a 400 metre radius are less reliant on attracting passing trade and have access to a resident catchment which provides a consistent level of patronage.
- 2.34 It is therefore appropriate that planning for Armstrong Creek West considers opportunities to ensure that at a minimum this benchmark of 1,000 residents within a 400 metre radius is achieved for each of the two proposed LACs.
- 2.35 Based on the locational attributes of the proposed LACs and the achievement of appropriate residential densities, the proposed LACs for Armstrong Creek West as identified in the Growth Area Plan (excluding the proposed NAC site), and the subsequently proposed LAC on Whites Road, are considered appropriate.

Conclusion

- 2.36 Development of a 5,000m² NAC at Armstrong Creek West is forecast to generate sales turnover of \$35.7 million at full development of the precinct (expressed in 2009 dollars). This includes \$24.5 million of turnover at a 3,000m² full-line supermarket. The forecast turnover represents a commercially viable trading level of \$7,140/m² and a market share of spending by Armstrong Creek West residents of 17.6%.

3 ACTIVITY CENTRE PLANNING ISSUES FOR ARMSTRONG CREEK WEST

What does development of a NAC in Armstrong Creek West mean for the activity centre hierarchy nominated in the Growth Area Plan?

1. Development of a 5,000m² NAC at Armstrong Creek West and an LAC of up to 1,000m² on Whites Road, would represent a net increase in retail floorspace of 5,000m² relative to that identified in the Growth Area Plan. This takes into account the upgrading of an LAC of up to 1,000m² identified in the Growth Area Plan on the site now proposed for the NAC.
2. Based on an estimated 83,500m² of retail floorspace proposed under the Growth Area Plan, the development of an Armstrong Creek West NAC and Whites Road LAC, would represent an increase of 5,000m² or just 6% of currently proposed retail floorspace. This would increase the total share of retail floorspace in NACs from 16% as currently proposed (see also paragraph 1.13), to nearly 20% of total floorspace in the Armstrong Creek activity centre hierarchy. A 20% share is more typical of the total share of retail floorspace typically operating at the NAC level in suburban areas of Australia, including Geelong.
3. With 83,500m² of proposed retail floorspace and a forecast population of approximately 54,000 persons, the Growth Area Plan provides for approximately 1.55m² of retail floorspace per capita. This rate of floorspace provision is well below the average rate of provision Australia-wide of approximately 2.1m² per capita. Although some retail spending by Armstrong Creek residents will be directed to centres such as Central Geelong, this suggests that the rate of retail floorspace provision identified in the Growth Area Plan is potentially conservatively low and that a modest increase in the provision of retail floorspace is accommodated by market demand generated by the population of Armstrong Creek.
4. Development of an Armstrong Creek NAC will ensure that the 14,000 plus residents of the precinct are directly served by neighbourhood-level retail and other facilities. Although the proposed Armstrong Creek NAC will provide a comprehensive range of facilities, accessibility of residents in Armstrong Creek West to supermarket and other day-to-day retail (and non-retail) categories will be significantly enhanced.

What is the functional relationship between the Armstrong Creek West NAC and other activity centres?

5. Development of an Armstrong Creek West NAC is unlikely to influence the development of the other two LACs identified for the precinct in the Growth Area Plan. The proposed LAC at the intersection of Boundary Road and Airport Road occupies an appropriately prominent site, while the LAC at the proposed new railway station will be adjacent to an activity generator and higher-density residential development. The proposed Whites Road LAC will also enhance the range of convenience level goods and services available to residents of Armstrong Creek West.
6. The role served by the LACs in Armstrong Creek West is based on small-scale convenience retailing serving local residents and passing trade. Development of an Armstrong Creek West NAC does not undermine this role, particularly in view of the short distance between the proposed NAC and the proposed LAC locations. Therefore, the LACs are likely to be commercially viable independent of the outcome for the proposed NAC site.

7. Although the proposed Armstrong Creek MAC will contain a comprehensive range of supermarkets, grocery and convenience retailing, the primary focus of the centre is on serving a higher-order retail and commercial role. In contrast, the proposed Armstrong Creek NAC will meet much of the basic neighbourhood-level retail and other needs of the population in Armstrong Creek West, although residents will still spend a large share of their retail spending at the Armstrong Creek MAC. This includes spending at supermarkets and specialty shops located in the MAC.
8. The overlap of trade areas for supermarkets and other neighbourhood-level shopping facilities is typical and reflects the consumer preference for shopping choice. Effectively, the proposed Armstrong Creek West NAC provides residents with the choice to visit a NAC located in the precinct, or to undertake their supermarket shopping at the much larger Armstrong Creek MAC and other more distant centres.

What are the likely impacts on the Armstrong Creek MAC associated with the development of an Armstrong Creek West NAC?

9. Although development of an Armstrong Creek West NAC will have some trading impacts on the proposed Armstrong Creek MAC, these impacts are expected to be modest in nature and would not undermine the anticipated role to be served by the MAC.
10. Assuming the proposed Armstrong MAC achieves a very high market share of 50% in the Armstrong Creek West precinct based on the currently proposed activity centre hierarchy, this reflects turnover of approximately \$89 million based on forecast spending of \$177.7 million (see also Table 2.3).
11. The forecast market share for the proposed Armstrong Creek West NAC is 17.6% (see also Table 2.7), however this does not take into account the turnover that would be generated by a LAC of 1,000m² on the site of the proposed NAC. This means that the net increase in the market share achieved by upgrading the currently-proposed LAC to a NAC would be just 15%.
12. Therefore if the Armstrong Creek NAC is developed, on a pro rata basis the market share achieved by the Armstrong Creek MAC in the Armstrong Creek West precinct would decline to 42.5% (i.e. a reduction of 7.5% from 50%). This 42.5% market share would generate turnover from residents of Armstrong Creek West of \$76 million, a decline of approximately \$13 million from the \$89 million in turnover assuming no NAC.
13. In effect, the development of an Armstrong Creek NAC has the potential to generate a trading impact on the Armstrong Creek MAC in the order of \$13 million relative to the turnover which would be generated if the currently-proposed hierarchy is maintained.
14. Assuming trading levels for the Armstrong Creek MAC based on current industry benchmarks, the centre would generate sales in the order of \$306 million (indicative forecast only). Allowing for a trading impact of \$13 million associated with the development of the Armstrong Creek NAC, this represents a decline in trade of just 4.4% relative to the trading levels that would be experienced based on the currently-defined hierarchy. Such a trading impact is well within normal competitive trading conditions and does not undermine the functional role of the Armstrong Creek MAC or its long-term trading success.

Table 3.1 Armstrong Creek West NAC Potential Trading Impact on MAC, Full Development (\$2009)

	Factor
Total Armstrong Creek West Trade Area Retail Spending	\$177.7m
Armstrong Creek MAC Forecast Market Share in Trade Area - Base Case	50%
Armstrong Creek MAC Turnover from Trade Area - Base Case	\$88.8m
Net increase in Armstrong Creek West NAC Market Share	15%
Armstrong Creek MAC Forecast Market Share in Trade Area - Development Case	42.5%
Armstrong Creek MAC Turnover from Trade Area - Development Case	\$75.5m
Total Armstrong Creek MAC Turnover - Base Case	\$306.0m
Total Armstrong Creek MAC Turnover - Development Case	\$292.7m
Trading Impact (\$)	-\$13.3m
Trading Impact (%)	-4.4%

Source: Essential Economics

What are the potential net community benefit considerations?

15. Development of the proposed Armstrong Creek NAC is expected to generate a number of benefits to residents of the precinct that are consistent with the objectives of strategic land use policy. These benefits include:
 - direct access of residents to neighbourhood-level retail and other facilities
 - greater sense of community for Armstrong Creek West associated with a regularly patronised NAC
 - synergies of a NAC with already-proposed community facilities
 - greater retail choice and competition which will benefit consumers.

16. Economic benefits are also associated with the proposed Armstrong Creek West NAC. Most importantly, the centre is expected to generate a total of approximately 200 direct ongoing jobs once it is operational (assuming 5,000m² centre). A high share of these 200 jobs will be filled by locals and assist in promoting employment self-sufficiency for Armstrong Creek. The retail industry is also an important employment 'gateway' and the centre will employ young people living in the area. The development phase of the proposed NAC will also generate investment and construction employment. Indirect (or flow-on) employment - arising from the employment multiplier effect - will also be generated at the construction stage and when the centre is operational, and a share of these indirect jobs can also be expected to be taken up by local residents.