

► **Review of economic evidence in  
support of expanding Bellarine  
Gateway Plaza**  
For City of Greater Geelong

Tim Nott

► June 2013





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## Report Data

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Front cover photo: Google Streetview

### Note

The assessment in this report has relied on consultant estimates and forecasts as well as on primary and secondary data from a variety of Government and commercial sources. In parts, the analysis has relied on reasonable assumptions. However, the reader should bear in mind that there is no certainty in predicting the future.



# Bellarine Gateway Plaza Assessment

For City of Greater Geelong

## 1 Introduction

### 1.1 The Proposal

The City of Greater Geelong and other stakeholders have been engaged for a number of years in developing plans for a new sub-regional activity centre in Leopold. The centre is designed to be an expansion of an existing neighbourhood activity centre located on the corner of the Bellarine Highway and Melaluka Road. An urban design framework for the proposed centre was prepared by Beca and approved by Council in 2011, as shown in the diagram below.

Appendix A - Concept 1



Figure 1: Proposed Leopold Sub-Regional Centre - Urban Design Framework

The area covered by the urban design framework is owned by two land-holders:

- Lascorp own the existing neighbourhood activity centre comprising a Coles supermarket and a range of specialty shops as well as the surrounding allotment (which is presently zoned for farming use)
- The Perez family own the allotment to the north along Melaluka Road, also zoned for farming use

Lascorp has now submitted a rezoning application and permit application to allow the development of its site for a substantial shopping and activity centre.

## 1.2 This Report

Council has asked me to provide a review of the economic demand and economic policy evidence provided in support of the rezoning and permit application. This present report provides that review. I have previously provided a retail economic assessment that informed the development of the urban design framework. I am therefore familiar with the site and the development characteristics of the area.

This report provides:

- A review of economic evidence provided in support of the rezoning and permit application by Macroplan Dimasi
- A review of the retail planning aspects of the proposal
- An update of the conclusions of the previous report provided by me on the capacity of the area to support a sub-regional centre at this location

**A summary of findings is provided at the end of the report.**

## 2 Proposal to Develop a Sub-Regional Activity Centre at Leopold

Lascorp is proposing to expand their existing Bellarine Gateway Plaza shopping centre at Leopold to a sub-regional activity centre. The present centre comprises a Coles supermarket, specialty shops and medical centre, with adjacent car-parking. The floorspace of the existing centre is 4,935 sq m.

The proposed centre would have an additional 30,725 sq m in lettable area, making a total of 35,660 sq m. The breakdown of spaces is shown in the table below.

**Table 1: Bellarine Gateway Plaza - existing and proposed floorspace**

	Existing sq m	Proposed addition sq m	Total sq m
Discount Department Store 1		8,200	8,200
Discount Department Store 2		5,000	5,000
Coles Supermarket	3,200	900	4,100
Woolworths Supermarket		4,200	4,200
Mini-major retailers		900	900
Specialty stores	1,640	5,960	7,600
Restricted retail premises		650	650
<i>Total shop</i>	<i>4,840</i>	<i>25,810</i>	<i>30,650</i>
Medical centre	385	475	860
Offices		1,960	1,960
Other		2,190	2,190
<i>Total non shop</i>	<i>385</i>	<i>4,625</i>	<i>5,010</i>
<b>Total</b>	<b>5,225</b>	<b>30,435</b>	<b>35,660</b>

Source: BMDA, 2012

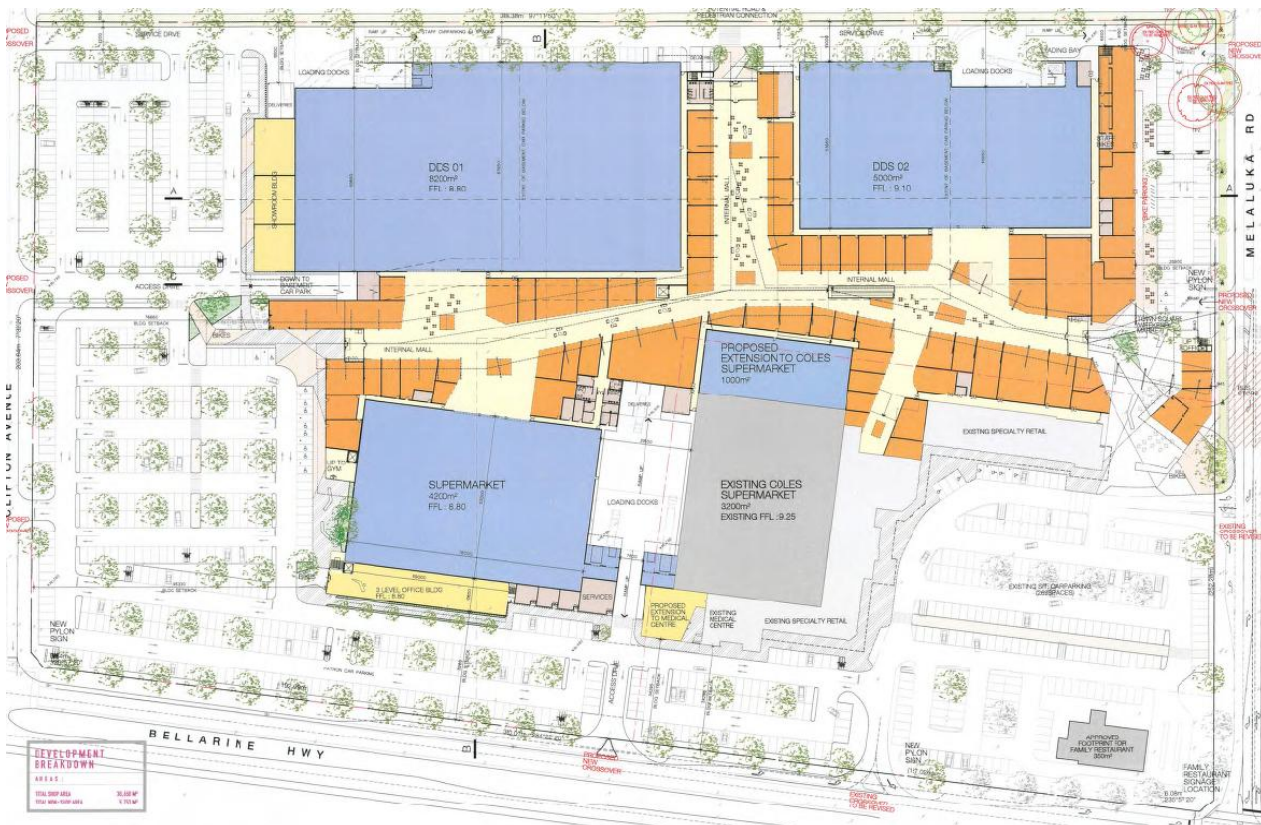
The schedule to the B1 Zone in the Greater Geelong planning scheme indicates that the site has a “cap” on shop floorspace of 5,000 sq m. The proposal seeks to lift the cap to 30,650 sq m to allow this development to occur. The planning report accompanying this proposal (ERM, 2012) suggests that, if the Perez land is to be included within the cap, then 35,000 sq m would be appropriate for the two parcels of land.

The existing site plan and proposed layout of the sub-regional centre are shown on the following page.

The proposal is for an internalised mall with an address and “town square” on Melaluka Road, with car parking on western and southern sides of the centre fronting the Bellarine Highway and Clifton Avenue. There is no accompanying proposal for the Perez land. However, the Urban Design Framework notes the potential for retail and non-retail development on this land (see figure 1). The Lascorp design suggests some road and pedestrian connection between the two sites but this is not fully articulated.



**Figure 3: Existing site plan**  
Source: Clarke Hopkins Clarke, 2012



**Figure 2: Proposed sub-regional centre**  
Source: Clarke Hopkins Clarke, 2012

### 3 Review of Macroplan Dimasi Report

A report looking at the economics of the proposed sub-regional centre at Leopold was undertaken by Macroplan Dimasi (2012) and submitted in support of the Lascorp proposal. This section provides a review of that report.

#### 3.1 Structure of the Report

The report by Macroplan Dimasi is set out as follows:

- A review of the location and regional context
- The planning context of the site
- The existing centre and its proposed expansion
- An analysis of the trade area, including the spending of residents and visitors
- The competition from centres within and outside the trade area
- The supply and demand for retail floorspace in the area over the period to 2021
- The sales potential of the proposed centre, particularly in relation to the proposed discount department stores and supermarkets
- The market share gained by the proposed centre
- The economic and social benefits of the proposed centre
- The impacts on the trade of centres within and outside the trade area likely to be affected by the proposed expansion of the Gateway Plaza

This is a logical, stepwise approach in which the relevant issues are described and analysed, and in which the calculations of impact are reasonably transparent.

#### 3.2 Findings of the Report

The key findings of the report are:

*An expansion of Gateway Plaza to sub-regional status will greatly enhance the shopping choice for local residents and visitors to the region, with significant improvements in the available range of food and non-food retail facilities. The expansion of Gateway Plaza will also contribute to the local economy through increased employment, both during the construction phase and ongoing at the centre once it has opened. The expansion of Gateway Plaza may have some impact on other retailers in the region, though the assessed impacts are considered to be reasonable and would not threaten the ongoing viability of any existing retailers.*

(Macroplan Dimasi, 2012, piii)

I agree that the expansion of Gateway Plaza will improve the service to residents of the Bellarine Peninsula and will increase accessible employment opportunities in the area. However, I do think the potential adverse impacts of the expansion on other centres are likely to be higher than indicated in the Macroplan Dimasi report. There is a significant risk that the development as proposed will generate net disbenefits for the region.

A different method has been used in the following section of this report to provide conclusions about the space in the market for the proposed sub-regional centre and about its impacts on the surrounding centres. Without going

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into unnecessary detail, it is worth noting here several key differences between my assessment and that of Macroplan Dimasi which leads me to conclude that the impacts have been under-sold.

### 3.2.1 Sales at the new centre

The Macroplan Dimasi report calculates the likely sales at the new centre using the floorspace and a figure for retail turnover density (that is, annual sales per square metre). These include:

- \$2,840 per sq m for Discount Department Stores (DDS)
- \$7,530 per sq m for supermarkets
- \$5,233 for retailing in the centre as a whole

These figures seem a little low to me, even for a newly establishing centre. I would expect:

- \$3,500 per sq m for DDS space
- \$9,000 per sq m for major supermarkets
- At least \$5,700 for retailing as a whole

[These estimates are more in keeping with the lower end of recent estimates provided by a range of consultants for supermarket and DDSs in various centres, including for example:

- Pitney Bowes, 2009– RTD forecasts at Caroline Springs in 2013 (in 2009 dollars)
  - Supermarket - \$9,000 per sq m
  - DDS - \$3,400 to \$3,500
- Renaissance Planning, 2011 – RTD estimates for Launceston, 2011
  - Food, groceries and liquor - \$8,104
  - DDS - \$4,371
- Hill PDA, 2012 – RTD estimates for Ballarat
  - Supermarkets - \$10,065
  - DDS - \$3,523]<sup>1</sup>

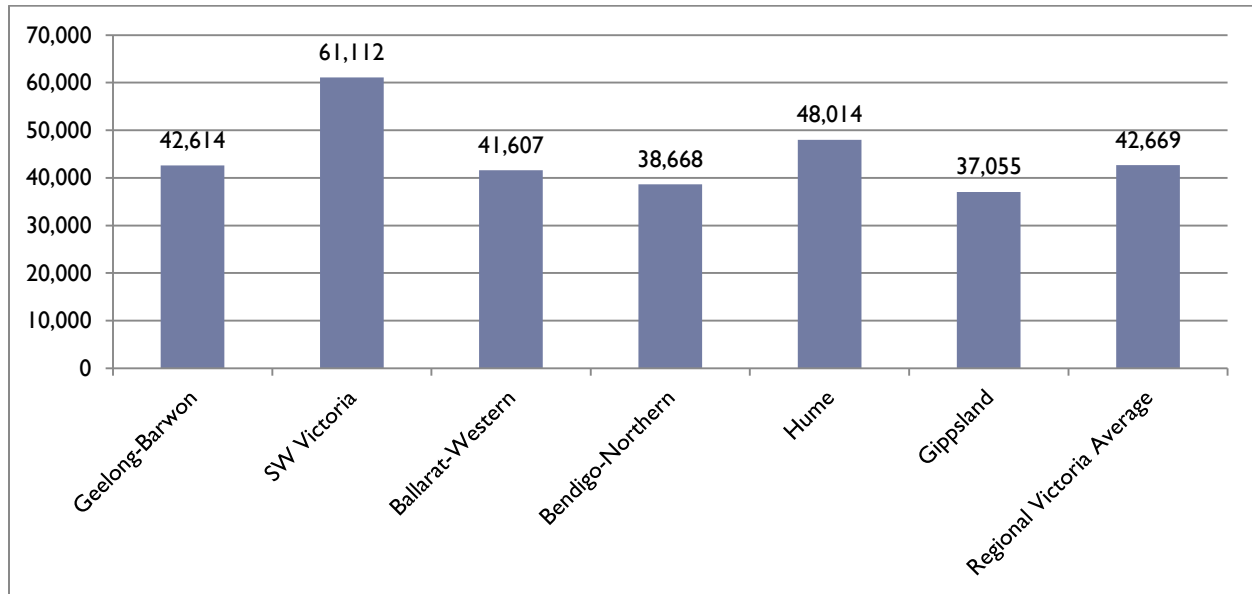
As a result, I believe the likely sales at the new centre have been under-estimated. My own estimate of likely sales at the centre is \$178 million, or about 9% higher than the estimate of \$163 million in Macroplan Dimasi (see section 4.3).

### 3.2.2 Discount Department Store Sales Potential

The report states that the provision of DDSs is typically one for every 30,000 to 35,000 people in Country Victoria (see section 4.1). My own researches suggest that the average provision of a full-line DDS (that is, one which is at least 4,500 sq m) is around one for every 42,000 to 43,000 residents. Averages in each region are shown in the chart below.

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<sup>1</sup> Pitney Bowes. 2009, *Caroline Springs Square, Economic Impact Assessment*; Renaissance Planning, 2011, *draft Launceston Retail Audit and Activity Centres Strategy*; Hill PDA, 2012, *Ballarat Activity Centres Strategy*



**Figure 4: Residents per full scale DDS, Regional Victoria 2012**

The Geelong-Barwon region presently has a DDS provision that is very close to the average for Regional Victoria. By 2016, if the two proposed DDSs are constructed at the Gateway Plaza and a further DDS which is already approved is developed at Waurin Ponds, the provision in the region will increase to 35,400 residents per DDS, which is about 17% higher than the present regional average. More DDSs are also expected to be developed at the major activity centre at Armstrong Creek, further increasing the level of provision. In the end, this measure of provision can only be a very broad indication and should not replace more detailed analysis (and this, the Macroplan Dimasi report provides).

### 3.2.3 Employment Benefits

The **net** employment benefits of the development have not properly been assessed in the Macroplan Dimasi report. In general, the net job benefits of a shopping centre development comprise:

- the short-term construction employment
- the net additional employment in ongoing retail and other activities

The assessment of net benefits must take into account the draw of spending, activity and jobs from other centres. The net job growth for the region arises from:

- the return of resident spending from elsewhere
- the attraction of more visitor spending
- catering for growth in the resident population

In addition, the use of multipliers to provide an estimate of indirect employment is rather misleading since these jobs could be anywhere in the Australian economy.

By my calculations, the net additional sales as a result of the proposed expansion of the Gateway Plaza would amount to approximately \$30 million in 2016. This suggests a net growth of around 100 ongoing jobs, not the 926 identified in the Macroplan Dimasi report.

## 4 Alternative Impact Assessment

Here I provide an alternative impact assessment which looks at whether or not there is notional space in the market for the proposed development given the existing retail network; and then reviews the likely impact on other centres in the network. The key to the impact assessment is whether or not other centres will have a significantly diminished role and how important that might be to the service provided to residents and visitors. The steps involved are:

- Identify the trade area
- Estimate retail spending pool of residents
- Identify the existing supply of retail floorspace and estimate retail sales
- Identify the present balance between supply and demand
- Project supply and demand to 2016, which is expected to be the first year of operation of the expanded Gateway Plaza
- Estimate the origin of the sales to the new centre and identify the likely impacts on the affected centres in the network

### 4.1 The Trade Area

I agree with the trade area identified in the Macroplan Dimasi report, which encompasses the entire Bellarine Peninsula as well as Newcomb at the eastern edge of the Geelong urban area. I have adopted the population forecasts provided by .id consulting to the City of Greater Geelong (<http://forecast2.id.com.au/Default.aspx?id=268&pg=5000>) as at June 2013. The forecast areas used approximate to the trade area identified by Macroplan Dimasi and are shown in the adjacent figure.

[Forecasts for the population in the Borough of Queenscliffe were not provided by .id consulting. Instead, the current estimated resident population has been used and is assumed not to change significantly over the study period, in keeping with long term trends.]

The population in this trade area was estimated at 67,455 in 2012 and is forecast to rise to 72,751 by 2016 and 78,926 by 2021. The change in population is shown in the following figure.

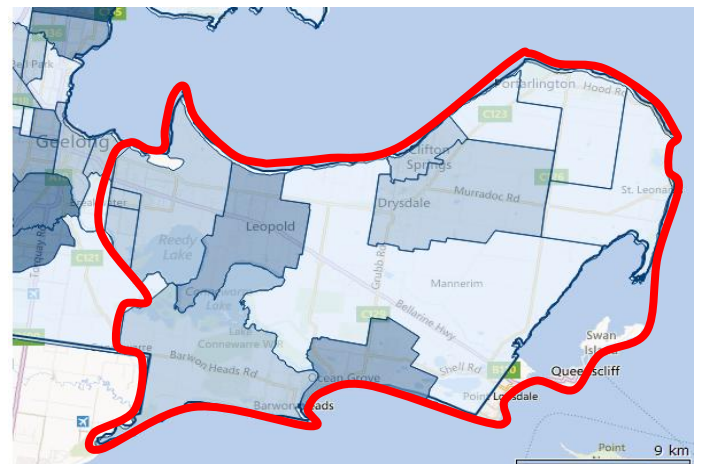
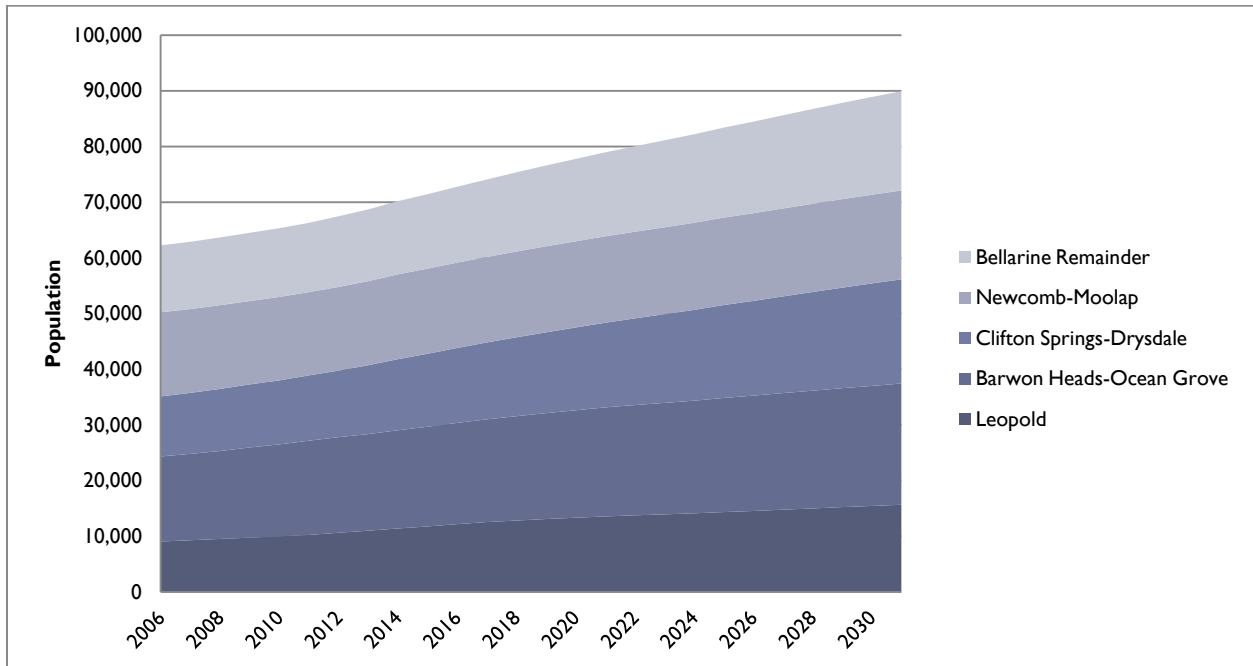


Figure 5: forecast areas provided by .id consulting, 2012



**Figure 6: Forecast population growth, 2006 to 2031**

Source: .id consulting

The figures used here are from a single consistent and current source (with the exception of the estimates for Queenscliffe). They are slightly lower than those used in the Macroplan Dimasi report which appear to have been put together from a number of sources.

## 4.2 Retail Spending by Residents

I have adopted the estimates of retail spending per person in the trade area provided by Macroplan Dimasi, which have been sourced from Market Data Systems. The total spending estimates are shown in the table below, based on the forecast population outlined above. These spending estimates assume that there will be real growth in resident spending of 1% per year over the forecast period, which is in line with long term averages (and is broadly consistent with growth expected in the Macroplan Dimasi report).

**Table 2: Annual retail spending per person and by residents of the Gateway Plaza trade area, 2012 to 2026**

<b>Retail type</b>	<b>2012</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Spending per person</b>				
Food, groceries and liquor	\$5,653	\$5,883	\$6,183	\$6,498
Non-food	\$5,260	\$5,474	\$5,753	\$6,046
Food service	\$878	\$914	\$960	\$1,009
Retail services	\$272	\$283	\$297	\$313
Total retail	\$12,063	\$12,553	\$13,193	\$13,866
Trade area population	67,455	72,751	78,926	84,439
<b>Total spending</b>	<b>2012</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Food, groceries and liquor	\$381.3	\$428.0	\$488.0	\$548.7
Non-food	\$354.8	\$398.2	\$460.3	\$510.5
Food service	\$59.2	\$66.5	\$77.9	\$85.2
Retail services	\$18.3	\$20.6	\$24.4	\$26.4
Total retail	\$813.7	\$913.2	\$1,099.9	\$1,170.8

Source: Macroplan Dimasi; Tim Nott; constant 2012 dollars

Total annual retail spending by residents of the trade area is forecast to grow from \$814 million in 2012 to \$913 million by 2016 and \$1,100 million by 2021, with further growth thereafter.

### 4.3 Retail Sales

Retail sales are calculated here by estimating the retail floorspace (updating existing surveys with information from Council) and estimating the average retail turnover density (RTD - sales per square metre of floorspace). The RTD estimates have been built up over a number of years through work for retailers as well as review of available statistics and shopping centre estimates.

The following table provides an estimate of retail floorspace in the various centres of the trade area.

**Table 3: Floorspace estimate, Gateway Plaza trade area, 2012**

	Food, groceries and liquor sq m	Non-food sq m	Food service sq m	Retail services sq m	Total retail sq m
Leopold	3,420	640	650	150	4,860
Newcomb	11,200	6,400	1,000	260	18,860
Ocean Grove Town Centre	3,930	5,760	1,860	680	12,230
Ocean Grove Marketplace	3,470	700	700	300	5,170
Barwon Heads Town centre	1,050	1,050	1,230	180	3,510
Drysdale Town Centre	5,130	3,260	1,250	680	10,320
Portarlington	940	1,170	1,410	240	3,760
St Leonards	1,590	240	410	80	2,320
Queenscliff	1,140	2,920	1,170	150	5,380
Point Lonsdale	540	690	590		1,820
Dorothy St, Leopold	590	320	160	240	1,310
Ash Rd, Leopold	420	690	70	70	1,250
Elsewhere in the trade area	390	2,300	1,470	90	4,250
<b>Total trade area</b>	<b>33,810</b>	<b>26,140</b>	<b>11,970</b>	<b>3,120</b>	<b>75,040</b>

Source: Tim Nott

The figure of 75,040 sq m is very similar to the 75,000 sq m estimated in the Macroplan Dimasi report.

The following table provides the retail sales to the shops in the trade area based on an estimate of average sales per square metre of floorspace throughout the trade area.

**Table 4: Estimate of annual retail sales, Gateway Plaza trade area, 2012**

Retail type	Floorspace sq m	RTD \$/sq m	Sales \$m
Food, groceries and liquor	33,810	\$8,400	\$284.0
Non-food	26,140	\$4,600	\$120.2
Food service	11,970	\$5,400	\$64.6
Retail services	3,120	\$3,900	\$12.2
<b>Total retail</b>	<b>75,040</b>	<b>\$6,400</b>	<b>\$481.1</b>

Source: Tim Nott

Current annual retail sales in the trade area are \$481 million. Almost 60% of this was in the sale of food and groceries, reflecting the type of local neighbourhood activity centres present in the trade area.

#### 4.4 Current Balance of Retail Supply and Demand

The following table provides an estimate of the current balance between supply and demand for retail floorspace in the trade area.

The calculation here assumes that sales to visitors are around 18% of all sales in trade area shops. This assumption is reasonable given:

- The Bellarine Peninsula is one of Victoria’s premier seaside day-trip and holiday destinations
- 26% of dwellings in the area were unoccupied at the last Census and the great majority of these are holiday homes, likely to generate in the vicinity of 1.5 million visitor nights per year, with each visitor spending around \$63 per night on average on retail goods and services (calculated from Tourism Research Australia, *National Visitor Survey*, December 2012)
- The area has a wide range of commercial accommodation including many hotels, motels and caravan parks
- The area receives a significant proportion of the estimated 5.6 million day-trippers that visit the Great Ocean Road tourism region each year (Tourism Victoria, *Great Ocean Road Market Profile*, year ending December 2011) each of whom spend around \$60 on average on retail goods and services and food service (calculated from Tourism Research Australia, *National Visitor Survey*, December 2012)

Using these figures, the total visitor spending pool in the trade area is likely to be around \$150-\$200 million per year.

**Table 5: Balance between supply and demand for retail floorspace, Gateway Plaza trade area, 2012**

	Sales at MTA shops		Sales to visitors		Sales to residents	Total spending by residents	Escape spending	
	\$m	%	\$m	\$m	\$m	\$m	\$m	%
Food, groceries and liquor	\$284	15%	\$43	\$241	\$381	\$140	37%	
Non-food	\$120	20%	\$24	\$96	\$355	\$259	73%	
Food service	\$65	30%	\$19	\$45	\$59	\$14	24%	
Retail services	\$12	10%	\$1	\$11	\$18	\$7	40%	
<b>Total retail</b>	<b>\$481</b>	<b>18%</b>	<b>\$87</b>	<b>\$394</b>	<b>\$814</b>	<b>\$420</b>	<b>52%</b>	

Source: Tim Nott

This analysis suggests that the trade area captures 48% of resident spending, with 52% (\$417 million per year) “escaping” to centres outside the trade area – to the Geelong CBD, to Belmont and Waurin Ponds, to the bulky goods outlets in Geelong and to centres in Melbourne and further afield (including spending via the internet). The following sub-section assesses whether this is a reasonable share.

## 4.5 The Activity Centre Hierarchy

The notion of an activity centre hierarchy, with activity centres of different size and scope providing services for communities of different sizes is still relevant to retail planning. It allows for rational investment decisions by retailers and others; it provides clarity about the kinds of services that residents can expect; and it allows for a more sustainable urban development in rapidly growing areas.

The table below provides the centre hierarchy used here. It is a modified form of the hierarchy used in the Geelong Retail Strategy produced by Essential Economics in 2006.

**Table 6: Revised activity centre hierarchy for the Geelong region**

Centre type	Relevant example	Typical catchment threshold	Typical floorspace	Typical share of trade area spending
<b>Capital City</b>	Melbourne CBD	1 million +	300,000	5%
<b>Regional Centre</b>	Geelong CBD	100,000+	100,000	20%-35%
<b>Sub-regional centre</b>	Waurm Ponds	50,000+	15,000 to 50,000	15% to 25%
	Belmont			
	Corio			
<b>Community Centre</b>	Pakington Street	20,000+	12,000 to 25,000	25% to 35%
	Ocean Grove			
<b>Neighbourhood Centre</b>	Leopold	8,000+	4,000 to 12,000	25% to 35%
	Drysdale			
<b>Small Neighbourhood Centre</b>	Dorothy St, Leopold	2,000+	1,000 to 4,000	10% to 20%
	Portarlinton			
	Point Lonsdale			
<b>Local Centre</b>	Madeley St, Ocean Grove	1,000+	up to 1,000	2 to 5%
<b>Bulky goods outlets</b>	Princes Highway	50,000 to 100,000	5,000 to 50,000	5% to 10%

Source: Tim Nott; an earlier version of this table was provided in the Leopold Commercial Centre Assessment undertaken by me in 2008

Not every area is served by each level in the activity centre hierarchy. However, it can be seen from the table that, for example:

- an area with neighbourhood centres and a series of local centres would be likely to capture 30% to 50% of spending by residents of the trade area
- an area with a sub-regional centre and a series of smaller centres would be likely to capture 50% to 65% of available spending

The Gateway Plaza trade area presently contains a community centre (Ocean Grove), several neighbourhood centres and a range of small neighbourhood centres. Overall the retail network in the trade area would be expected to capture perhaps 40% to 55% of resident spending. The capture of 48% is therefore within expectations given the retail provision.

## 4.6 Future Balance of Retail Supply and Demand

The retail network in the Gateway Plaza trade area will increase its capture of local spending as new retail facilities are developed – not just at Gateway Plaza but in several other planned and approved developments around the Peninsula. These include:

- A new neighbourhood activity centre at Grubb Road, Ocean Grove, including a full line supermarket
- A new neighbourhood activity centre at Jetty Road, Drysdale including a medium sized supermarket
- A new small supermarket at Portarlinton

The following table provides a summary estimate of the retail floorspace in these various developments, including the additional space proposed at Gateway Plaza. The precise split between retail types is not known with certainty. Here the split has been estimated using available information about key tenants and understanding the division at centres elsewhere. These various retail developments are expected to be operational by 2016.

**Table 7: Estimate of additional retail floorspace in the Gateway Plaza trade area by 2016**

Proposed centres	Additional space at Gateway Plaza	Grubb Road, Ocean Grove North sq m	Jetty Road, Drysdale sq m	Portarlinton sq m	Total sq m
Food, groceries and liquor	5,470	4,000	2,700	1,610	13,790
Non-food	19,290	1,200	900		21,390
Food service	810	800	500		2,110
Retail services	160	200	200		560
Total retail	25,730	6,200	4,300	1,490	37,900

Source: Macroplan Dimasi; Council estimates

[I understand that there may well be other retail proposals in the offing, including potential for a new supermarket at Drysdale. However, no other proposals have been given planning permission.]

By 2016, then, the supply of retail floorspace in the trade area is expected to be 112,820 sq m as detailed in the table below.

**Table 8: Estimate of retail floorspace, Gateway Plaza trade area, 2016 (including proposed expansion of the Gateway Plaza)**

Retail type	Existing floorspace, 2012	Additional floorspace, 2012 to 2016	Total floorspace, 2016
	sq m	sq m	sq m
Food, groceries and liquor	33,810	13,788	47,598
Non-food	26,140	21,390	47,530
Food service	11,970	2,150	14,120
Retail services	3,120	570	3,690
Total retail	75,040	37,898	112,938

Source: Tim Nott

The following table provides an estimate of retail sales based on this floorspace. The retail turnover density (RTD) is assumed to grow in real terms by a small factor (0.5% per year) over the period to 2016 as retailers become more efficient. The RTDs here have been estimated for each centre taking into account the different shop types and amalgamated for the trade area as a whole.

**Table 9: Estimated retail sales, Gateway Plaza trade area 2016 (including expansion of the Gateway Plaza)**

	Floorspace	RTD	Sales
	sq m	\$/sq m	\$m
Food, groceries and liquor	47,598	\$8,759	\$416.9
Non-food	47,530	\$4,716	\$224.1
Food service	14,120	\$5,490	\$77.5
Retail services	3,690	\$4,053	\$15.0
Total retail	112,938	\$6,495	\$733.5

Source: Tim Nott (figures in 2012 dollars)

Using this data, the following table provides an estimate of the balance between retail supply (sales) and demand (available spending) and gives an estimate of escape spending. The share of sales to visitors is assumed to remain the same. Spending by residents is estimated in Table 2 above.

**Table 10: Forecast balance between retail supply and demand, Gateway Plaza trade area, 2016**

	Sales at MTA shops		Sales to visitors		Sales to residents	Total spending by residents	Escape spending	
	\$m	%	\$m	\$m	\$m	\$m	\$m	%
	Food, groceries and liquor	\$417	15%	\$63	\$354	\$428	\$74	17%
Non-food	\$224	20%	\$45	\$179	\$398	\$219	55%	
Food service	\$78	30%	\$23	\$54	\$66	\$12	18%	
Retail services	\$15	10%	\$1	\$13	\$21	\$7	35%	
Total retail	\$734	18%	\$132	\$601	\$913	\$312	34%	

Source: Tim Nott (figures in 2012 dollars)

Under this forecast scenario, the trade area is able to hold onto 66% of resident spending, with 34% escaping to central Geelong and elsewhere. This is perhaps a little higher than the expected range for a trade area with a sub-regional centre (see section 4.5 of this report).

## 4.7 Impact on Other Centres

Conclusions about the impact on other centres, particularly in this case where there are many other centres, will be imprecise. Many factors will affect the outcome including:

- the loyalty of existing customers to the affected centres/retailers
- the ability of retailers in affected centres to respond to competition
- the skill with which retailers in the new centre approach the market
- changing travel patterns of residents
- general economic conditions

In estimating the effects of the expanded Gateway Plaza, I have judged that the impact on a particular centre will be inversely proportional to its distance from Gateway (that is, the smaller the distance the bigger the impact) and that impacts will also be experienced more by centres with a higher proportion of non-food sales (generally the larger centres which compete for sales in clothing, furniture, and recreational and household goods). Intuitively, we should expect the new Gateway Plaza to compete most strongly with other regional and sub-regional centres and with the closest centres providing full scale supermarket services.

The following table provides an estimate of the sales at Gateway Plaza that would otherwise flow to other centres in the regional network and the proportionate impact that will have on each affected centre. Only the sales arising from the additional floorspace at Gateway Plaza have been used to estimate the impact.

**Table 11: Expansion of Gateway Plaza - estimated impact on retail sales at affected centres, 2016**

Affected centres	Sales with Gateway Plaza expansion	Share of sales at Gateway Plaza that would otherwise have gone to this centre	Sales lost by each centre	Sales at each centre without Gateway Plaza expansion	Proportional impact on sales of each centre
	\$m	%	\$m	\$m	%
Newcomb	\$135.8	11%	\$15.5	\$151.3	10%
Ocean Grove Town Centre	\$80.4	3%	\$4.7	\$85.1	6%
Ocean Grove Marketplace	\$39.6	1%	\$1.3	\$40.9	3%
Barwon Heads Town centre	\$20.8	0%	\$0.6	\$21.4	3%
Drysdale Town Centre	\$70.2	5%	\$7.0	\$77.3	9%
Portarlington	\$34.8	0%	\$0.7	\$35.5	2%
St Leonards	\$16.7	0%	\$0.3	\$17.0	2%
Queenscliff	\$29.7	1%	\$1.1	\$30.8	4%
Point Lonsdale	\$10.8	0%	\$0.2	\$11.0	2%
Dorothy St, Leopold	\$7.9	1%	\$0.7	\$8.6	8%
Ash Rd, Leopold	\$6.7	1%	\$0.8	\$7.5	11%
Elsewhere in trade area	\$21.5	0%	\$0.6	\$22.1	3%
Grubb Road	\$48.0	1%	\$1.8	\$49.8	4%
Jetty Road	\$33.0	1%	\$1.4	\$34.3	4%
<b>Total Trade Area</b>	<b>\$555.0</b>	<b>26%</b>	<b>\$36.6</b>	<b>\$591.6</b>	<b>6%</b>
Geelong CBD	\$578.8	48%	\$67.6	\$646.4	10%
Belmont	\$100.6	5%	\$7.0	\$107.6	7%
Waurm Ponds	\$271.6	10%	\$14.1	\$285.7	5%
Elsewhere*		11%	\$15.5		
Total		100%	\$140.7		

Source: Tim Nott; Macroplan Dimasi

Note: Figures in constant 2012 dollars; "Elsewhere" includes sales to other centres in Geelong, including bulky goods precincts and centres in Melbourne, as well as sales via the internet. Figures exclude current sales at Gateway Plaza. The next phase of development at the Waurm Ponds centre is assumed to open by 2016.

This estimate of impact shows that centres in the trade area overall will suffer a 6% loss of trade following the opening of the expanded Gateway Plaza. This compares with the 7.7% estimated by Macroplan Dimasi for the trade area as a whole. In my view, these figures are reasonably close given the speculative nature of this type of impact assessment.

However, the Macroplan Dimasi estimates do not look at individual centres within the trade area (although they do look at the impact, collectively, on other centres in Leopold).

There is no particular level of impact that is considered "beyond the pale" in retail planning. However, in Panel hearings and at VCAT, impacts on turnover of 10%-15% or more are considered significant. It is this level of impact that is well above the normal competitive fluctuations in retail trade and which might well challenge the role of a

centre and its ability to deliver the expected service to the residents of its trade area. Any impact at or above this level must be carefully weighed in the balance of net community benefit.

The estimate above identifies two centres – Newcomb and Ash Road, Leopold - in which the impact is likely to be 10% or more.

- The retail provision in **Newcomb** consists of two separate supermarket-based centres on the Bellarine Highway including some bulky goods retailing. These centres are strongly affected because they are the closest centres to the west of Gateway Plaza and because they have a moderately high share of non-food floorspace for neighbourhood level centres. It seems likely that many people in Newcomb will be attracted to the new sub-regional centre that has strong food and non-food provision and which is easily accessible only 4km to the east. However, it seems very likely that the Newcomb centres will continue to fulfil their neighbourhood role following the Gateway Plaza expansion. The anticipated sales at Newcomb after Gateway Plaza is expanded (\$135 million per year) are more than sufficient to support a strong neighbourhood role, although some reorganisation may be required.
- **Ash Road** fulfils a local centre role providing top-up groceries and local services. I would expect this centre and **Dorothy Street** in Leopold to experience some decline/reorganisation in their retail role as residents fulfil their retail needs in the nearby sub-regional centre. However, given flexibility in their occupancy arrangements, these centres could concentrate on a stronger service and local dining role and continue to provide successful focal points for the local community.

Another centre likely to experience a relatively high impact, although less than 10% is Drysdale town centre, 13 km to the east of Gateway Plaza, which contains supermarkets and a range of non-food outlets in homewares, clothing and recreational goods that might compete directly with the offering of a sub-regional centre. This centre appears likely to experience a decline in trade of around 9%.

[I note here that if the assessment by Macroplan Dimasi were to look at the impact on individual centres, then the impact on some centres in the trade area would also be more than 10%. However, since the assessment only provides an average for the trade area as a whole this kind of impact is masked.]

Outside the trade area, **Geelong CBD** is expected to experience a significant impact of around a 10% drop in retail trade. This can be understood if we consider that, without the Gateway Plaza, the majority of non-food shopping (and some food shopping) undertaken by trade area residents would otherwise be undertaken in the CBD as the closest centre with a department store, discount departments stores and a wide variety of clothing and other specialty shops. Despite a strong retail offering, its location on the Bay and its position as the main regional centre for the whole of south west Victoria, Geelong CBD has some disadvantages compared with free-standing, single-owner shopping centres. The disparate ownership in the CBD means that the location of its activities cannot be strongly optimised, as happens in single-owner centres; marketing is more difficult and diffuse; car parking is less obvious; and so on. Nevertheless, the Geelong CBD is the most important centre in the region because it is the largest and accommodates activities of the highest order for the region – the regional hospital, the main department store, the regional art gallery, a large university campus etc. It is important that the CBD remains successful in order that regional residents continue to have access to those higher order goods and services and that it remains the preferred location for future higher order services.

A 10% impact on retail spending in the centre will not result in Geelong CBD losing its role as the principal centre in the region. However, it will make it somewhat less successful. It is likely to result in more extensive vacancies in

the centre, shrinking the effective retail area and potentially creating long term changes of use to less profitable and less active uses. Such an impact could well limit further investment in retail and non-retail activities as the number of potential customers decline and property becomes more run down in a destructive spiral.

## 4.8 Potential to Mitigate Impacts

Despite the importance of the Geelong CBD to activity and jobs in the region, it is also an important principle to locate retailing and services as close as possible to the markets they are designed to serve, commensurate with commercial viability. This principle reduces the travel requirements for residents and improves the efficiency and sustainability of urban development. In this case, it should be possible to satisfy the need for proximate services whilst reducing the impact on the region’s premier activity centre to more manageable levels.

In my view, a single DDS centre at Leopold would be sufficient to satisfy demand in the trade area in the medium term and would have less impact on the regional network. A single large DDS, two large supermarkets and a range of specialty shops could be accommodated in a centre with a total floorspace of less than 23,000 sq m as shown below.

**Table 12: Potential retail sales at a smaller sub-regional centre, 2016**

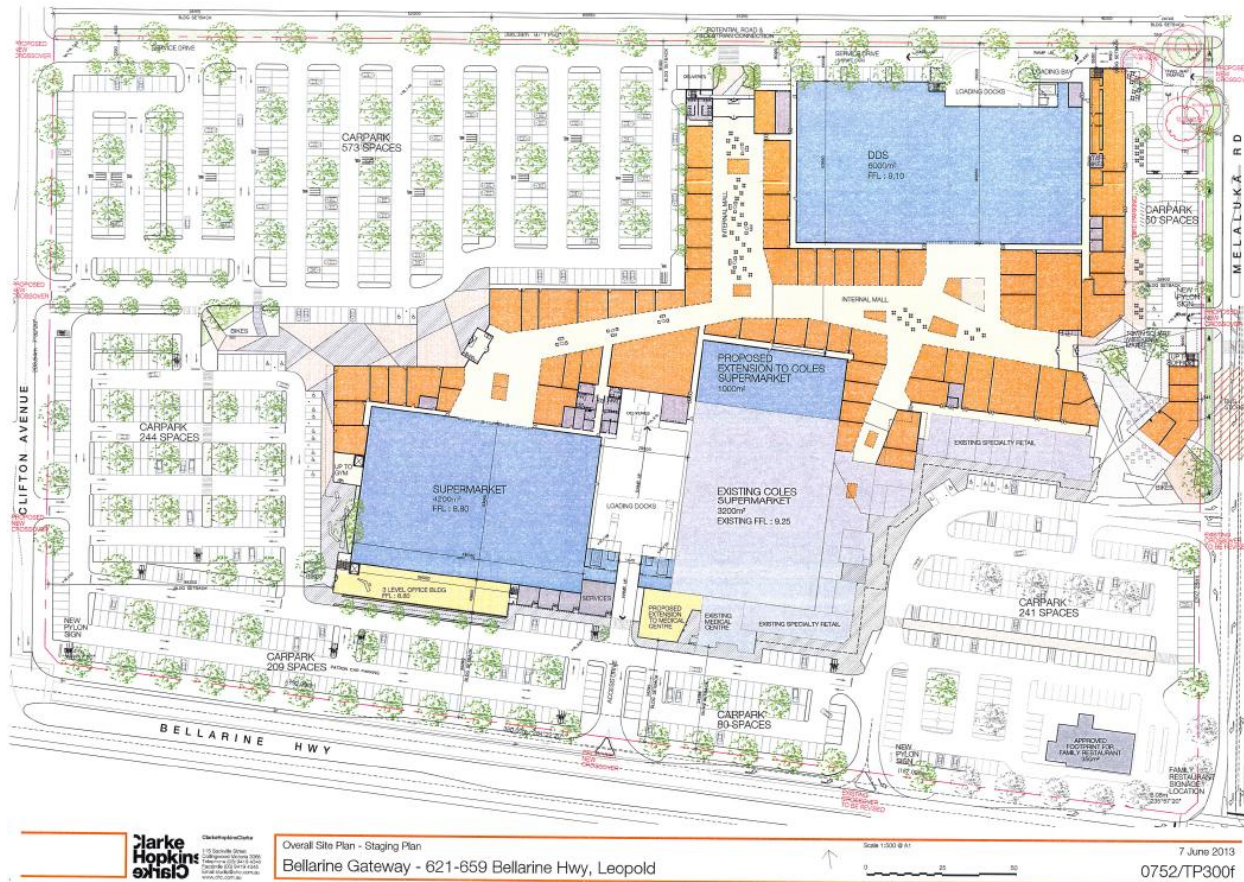
Retail type	Floorspace sq m	RTD \$/sq m	Sales \$m
Food, groceries and liquor	8,900	\$9,000	\$80.1
Non-food	12,200	\$4,200	\$51.2
Food service	1,100	\$5,600	\$6.2
Retail services	250	\$4,100	\$1.0
Total retail	22,450	\$6,170	\$138.5
Sales to existing floorspace			\$37.9
Net additional sales			\$100.7

Source: Tim Nott

The net additional sales at this smaller sub-regional centre - \$101 million – would be 72% of the net additional sales under the proposal as it stands. The impacts on other centres would therefore be only 72% of those calculated previously. **This would be sufficient to reduce the impacts on Newcomb and, importantly, the Geelong CBD to a loss of around 7% of retail sales.**

It is understandable that the owner/developer of the Gateway Plaza would wish to lock in the potential to develop a large sub-regional centre in order to create certainty about future investment conditions. However, it would be more appropriate for a further DDS to be the subject of a subsequent application (amendment) in order to meet demand.

It does appear that the proponent is considering a staged development in any case. Council has received a plan that shows a first stage of the centre which contains a single DDS, two supermarkets and specialty stores and has approximately 22,000 sq m of retail space in total. At the time of writing, it is not clear whether this represents a revised proposal or simply a possible staging plan.



**Figure 7: Potential first stage of Gateway Plaza**

In my view, this is a much more manageable development. Around Geelong, no centre has expanded in a single bound to be a double DDS centre; in fact there are presently no double DDS sub-regional centres in the region (although Waurn Ponds centre has an outstanding permit for a further DDS which has not yet been acted upon). Presently the other sub-regional centres are:

- Waurn Ponds (major stores - Target, Coles and Woolworths) – 21,000 sq m in total
- Belmont (Kmart and Coles) – 13,200 sq m of retail space
- Corio (Kmart, Coles and Woolworths) – 27,513 sq m in total

None of these well-established centres has a floorspace of the 30,000 sq m proposed for the full development at Leopold.

The timing of a subsequent stage of development is uncertain. However, if the present average provision of full-scale DDSs in regional Victoria is applied, the population required to support two such stores would be over 85,000. The current forecast for the trade area suggests that this population will be achieved by the mid 2020s.

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## 5 Review of Retail Planning

I have been asked to comment on the retail planning aspects of the proposal. This section looks at:

- how the proposal as expressed in the various documents submitted with the application meets the requirements of the planning scheme
- the implications of this proposal for development of the whole site covered by the Leopold Urban Design Framework (City of Greater Geelong, 2011)
- Comments on the currency of my report – Leopold Sub-Regional Centre Assessment from 2010

### 5.1 Does the Proposal Accord with the Planning Scheme?

At Clause 21.07-8 of the Greater Geelong Planning Scheme, the location of the Gateway Plaza at Leopold is identified as a sub-regional activity centre. The planning scheme anticipates that a sub-regional centre would have 15,000 to 35,000 sq m of activity space with key tenants including discount department store(s), supermarket(s) and mini-major store(s). The proposal by Lascorp clearly fits within this definition and would make good the expectation of a sub-regional centre at this site.

The proposal also meets the objectives of development on the Bellarine Peninsula at Clause 21.14-2:

*To facilitate the development of Ocean Grove, Drysdale/Clifton Springs and **Leopold** as hubs of development and service provision on the Bellarine Peninsula. (emphasis added)*

And

*Support Leopold as a Sub Regional Retail Activity Centre for the Bellarine Peninsula, whilst providing local community, recreational and employment facilities to Leopold's residents.*

In addition, the proposal is accompanied by an economic impact assessment which provides the information and addresses the issues as required in Clause 22.03 (Assessment Criteria for Retail Planning Applications). As discussed in the previous section, I believe the assessment is largely sound except:

- net employment benefits have been overstated since the assessment has failed to take into account the redirection of retail spending from elsewhere
- net community benefit would be improved with a smaller development in the first instance; a single DDS centre with two supermarkets and specialty shops would be sufficient to satisfy demand without generating unacceptable impacts on the Geelong CBD

The design of the centre responds to the various objectives of the planning scheme by:

- creating a sub-regional activity centre in a location designated by the scheme
- incorporating a mix of uses (see Clause 21.07-3) including retailing, dining, office activities, gym etc, in which the non-retail uses amount to around 14% of the total space

The planning scheme does,

*Encourage the northerly expansion of the Sub Regional Retail Activity Centre, ensuring any development integrates with the existing centre and surrounding community facilities, and enhances its appearance and functionality (Clause 21.14-2)*

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The design does create a strong pedestrian link to the recreational activities on the east side of Melaluka Road. It has also taken into account the potential development on the adjacent site to the north in so far as it indicates a possible pedestrian link across a possible road running along the northern boundary of the property. However, this northern boundary otherwise accommodates the back of house activities for the two discount department stores and would present loading docks and long blank walls to any development on the northern site. It is important to note that in the absence of any development to the north, this back of house will be presented to visitors from the northern part of the catchment accessing the centre from the Drysdale Road.

To be fair, there is no proposal for development on the northern site and it is therefore difficult to provide effective integration. In addition, the layout concept provided in the Urban Design Framework developed for Council by Beca (Leopold Structure Plan and Urban Design Framework, 2011) anticipates that this northern boundary would be a service area with no active frontage.

The strip of shops facing onto Melaluka Road would assist in creating a main street feel to this part of the centre and would help link any development to the north, integrating it into the centre as a whole. (And this point is made in the BMDA Retail Planning report, section 6.) It will be incumbent on the developers of the northern site to ensure that their design responds to the Lascorp development. Given the links that are provided in the Lascorp design, this should be straightforward.

## 5.2 Market Demand for Development of the Northern Site

Given the assessment provided earlier, I believe there is little scope for significant retail development of the northern site in the medium term, with the exception of bulky goods retailing. Bulky goods retailing here would compete mainly with outlets on the Princes Highway at Waurn Ponds and in the northern suburbs of Geelong. Development of genuine bulky goods retailing would have little negative impact on the Geelong CBD which supplies a substantially different range of goods and services.

Provision of 10,000 sq m of bulky goods **retailing** would attract annual spending of approximately \$35 million (based on a RTD of \$3,500 per sq m). Allowing for some of that to be captured from visitors (mainly holiday home owners) the draw on residents would be around \$30 million in 2016. This would constitute around 7% of resident spending on non-food goods. Provision of this level of bulky goods floorspace would reduce the resident escape spending by 3% overall compared with figures estimated for 2016 in table 10 of this report.

In a major bulky goods precinct development it is likely that a significant proportion of floorspace would be devoted to activities that are wholesale or business services – trade supplies, equipment hire, storage etc. The total floorspace in a bulky goods precinct at Leopold would therefore be likely to be approximately 15,000 to 20,000 sq m in extent.

The northern site is not presently ideal for bulky goods retailing because it has no highway frontage. However, the development of Clifton Avenue as a commercial access link road between the Bellarine Highway and Drysdale Road would provide an acceptable (if not optimum) location given sufficient scale of development to attract users off the main roads. (Bulky goods development on Melaluka Road would not be a good design outcome given the desire to create a main street with fine-grained activities.)

If the Lascorp development goes ahead as planned, that part of the northern site on Melaluka Road would be suitable for offices or, possibly an entertainment precinct – cinema, restaurants etc. If a reduced scope sub-regional centre is developed on the Lascorp site, there may be potential to develop some convenience or entertainment retailing on this site – perhaps a small supermarket, newsagent, hairdressing, chemist, restaurants and take-away food.

In providing a cap on retail development, I would suggest that a total of 24,000 sq m would be appropriate for the whole site (excluding restricted retailing which could be a further 10,000 sq m). However, in order to allow some retail development on the northern parcel of land, a separate cap would need to be applied to the two sites. Two separate caps might need to apply to the northern site – one to allow restricted retailing on Clifton Avenue and one to allow convenience and entertainment retailing on Melaluka Road. I suggest that a cap of 22,500 sq m should be sufficient for the Lascorp site.

### 5.3 Previous Retail Assessment

I provided an assessment of the Leopold Sub-Regional Activity Centre as an input to the Structure Plan and Urban Design Framework prepared for Council by Beca in 2010-2011. This present assessment (see section 4) updates that earlier work. However, it is worth noting my original estimate of floorspace demand since it has been misquoted in some of the work for Lascorp. My assessment in 2010 suggested that over the period to 2021 there would be demand for:

- 17,700 sq m of in-centre retailing
- 10,000 sq m of bulky goods retailing

This was accompanied by demand for perhaps a further 17,600 sq m of non-retail floorspace. This estimate was undertaken to provide an understanding of whether there was sufficient support for a sub-regional centre and its typical retail requirements (DDS, supermarkets etc) – which there was – and broadly how much land would be required to accommodate such a centre.

With new population and spending figures and a live proposal I have amended my assessment of retail demand as outlined in section 4. This new assessment suggests that in-centre retailing could be as high as 22,500 sq m and still avoid significant impacts on other centres, especially the Geelong CBD.

## 6 Summary

1. The City of Greater Geelong and other stakeholders have been engaged for a number of years in developing plans for a new sub-regional activity centre in Leopold. The centre is designed to be an expansion of an existing neighbourhood activity centre located on the corner of the Bellarine Highway and Melaluka Road. The land is in two parcels – a southern parcel owned by Lascorp and a northern parcel owned by the Perez family.
  2. Lascorp, the owner of the existing shopping centre on the site, has now submitted a rezoning application and permit application to allow the development of its site for a sub-regional shopping and activity centre. The proposed centre would be 35,660 sq m including 30,650 sq m of retail space. Key tenants
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would include two discount department stores, two full-line supermarkets and a wide variety of specialty stores as well as provision for offices, gym and showrooms.

3. The development application is accompanied by an economic impact assessment report by Macroplan Dimasi. The report finds that there is sufficient market demand to accommodate the proposed new centre and that it will generate net community benefits in terms of employment and improved service to residents of the Bellarine Peninsula.
4. I have undertaken a separate impact assessment and find that, although the development would improve the provision of retail goods and services to Bellarine residents, the scale of the proposal may generate net disbenefits. In particular, the impacts on Geelong CBD may be significant (likely to be a decline in retail trade of around 10%). The centres of Newcomb and Ash Road (Leopold) also face a decline in retail trade of 10%.
5. I have suggested that a sub-regional centre of 22,500 sq m (a similar size to Waurm Ponds, for example) would be sufficient to provide sub-regional retailing, including a single large discount department store, supermarkets and many specialty stores. Such a centre would have a more manageable impact on Geelong CBD and other centres. I have noted that there are no other double DDS sub-regional centres in the Geelong region. It would be more appropriate to wait until there was sufficient demand for a two DDS centre and not “lock-up” demand that, in the event, may be more appropriately satisfied elsewhere. The current average number of people to support a full-scale DDS in regional Victoria is around 42,000. On this basis, and using the present population forecasts for the Bellarine Peninsula, that level of population would be achieved in the mid-2020s.
6. I note that Council has received a potential staging plan for the centre from the proponent which proposes a first stage with a single DDS and total retail space of around 22,000 sq m. However, at the time of writing, it is unclear whether this will form the basis of a revised proposal. In my view, such a development would have a much more manageable impact on the network of other centres in the region.
7. In other ways, the design of the centre appears to respond well to the requirements of the planning scheme. The design provides a sub-regional centre at an approved location. It is for a moderately multi-functional centre, creating a main street feel on Melaluka Road which will integrate land to the north and west of the site.
8. If the proposal is approved as presented, there will not be sufficient demand to support conventional retail development elsewhere in the centre. The northern parcel of land fronting Melaluka Road may be suitable for development as an office or entertainment precinct with a cinema and limited number of restaurants, for example. If the development is approved at a smaller scale, there would be room for, say, 1,500 to 2,000 sq m of retailing on Melaluka Road, likely to be in conjunction with other uses.
9. I would expect that a bulky goods precinct of 15,000 to 20,000 sq m on Clifton Avenue could be developed, including 10,000 sq m of bulky goods *retailing*.
10. The assessment in this present report updates and supersedes that which I provided in 2010 for the Leopold Sub-Regional Centre Urban Design Framework.

## 7 Sources

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