Greater Geelong Retail Strategy

Issues and Options Report

City of Greater Geelong
September 2016

SGS Economics & Planning

Independent insight.

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EXECUTIVE SUMMARY

The City of Greater Geelong (CoGG) commissioned SGS Economics and Planning (SGS) to develop a Retail Strategy for all retail centres across Geelong and the Bellarine Peninsula. The work is cognisant of broader issues including population growth, land use, economic trends and planning policy.

This paper is the first of two reports. It focuses on research, modelling, analysis and the development of strategic options. Those options and the evidence base supporting them in turn help to inform the second report which is the strategy document.

Context

Population growth across the City of Greater Geelong has generated significant and somewhat uneven demand for new retail floorspace. This trend is expected to continue in the long term, and as such this Retail Strategy is part of broader efforts to ensure that Council's planning policies are effective in managing the ongoing development and evolution of its retail centres.

Effective retail planning in Greater Geelong requires a balancing of competing needs including consumption, employment and transportation outcomes. Specifically, this has been managed through (a) a centres hierarchy and (b) floorspace caps.

Current and planned supply

A retail floorspace audit has found that as of October 2014, there were 108 retail centres across the City of Greater Geelong. In addition, established centres Torquay, Queenscliff and Pt Lonsdale are located within close proximity of Greater Geelong and have therefore been modelled as part of the Greater Geelong regional retail network for the purposes of this study.

Over the next 20 years, a further 18 retail centres are planned for development across the City. Most of these are located in growth areas including Armstrong Creek, Lara West, Drysdale and Fyansford. This is in response to the significant levels of population growth expected in these areas. Avalon Airport is also under consideration. The City of Greater Geelong is the planning authority for the airport. Development could occur, however, though there is no certainty on the timing of any future development.

The table below summarises the supply equation across the City of Greater Geelong.

	Existing in 2014	Planned	Total by 2031	Torquay, Queenscliff
Number of retail centres in CoGG	108	18	126	2
Total retail floorspace (sqm)	873,867	166,061	1,039,928	23,729

Projected demand

Demand for retail floorspace across the municipality is forecast to grow significantly in line with projected population growth. This population growth is summarised in the table below for the home-based expenditure catchment of Greater Geelong retail centres. Note that this area only includes part of Surf Coast Shire.

Catchment area	2014	2021	2026	2031
Greater Geelong	225,890	255,215	277,752	297,956
Surf Coast	17,125	21,315	24,517	27,137
Queenscliff	3,087	3,204	3,284	3,360
Total home-based spending	**246,102**	**279,734**	**305,553**	**328,453**

Population is then the primary driver for increases in expenditure through home based spending. Added to this are worker based spend, tourist/visitor based spend, education based spend and other (small) injections from people not included in the catchment area. Subtracted from this is escape expenditure as well as on-line expenditure. The net result for retained expenditure is presented below.

Commodity Group ($ million)	2014	2021	2026	2031
Fresh Food	577.1	736.1	865.9	998.2
Groceries (Food & Non-Food)	489.2	620.8	728.0	837.1
Pharma & Toiletry & Cosmetics	205.2	272.6	328.2	385.8
Tobacco	155.7	194.4	226.7	258.6
Bottle shop	155.4	196.3	229.8	263.1
Restaurants & Cafes	361.1	446.0	516.6	589.2
Take-Away	205.3	247.0	280.6	314.1
Clothing & Shoes	284.3	366.2	433.6	503.7
Furniture & White goods	209.6	276.0	329.7	384.0
Manchester & Home Decoration	74.6	99.5	120.1	141.3
Electronic Home Entertainment	348.1	463.7	558.3	655.4
Newsagent & Lotto	88.5	88.5	87.0	83.4
Hardware & Gardening	156.0	207.5	249.5	293.4
Personal Items & Services	231.6	290.2	337.6	385.7
Total Retail Spending	**3,541.7**	**4,504.7**	**5,291.5**	**6,093.0**

Issues and strategic directions

The research, modelling and analysis have identified a number of major issues:

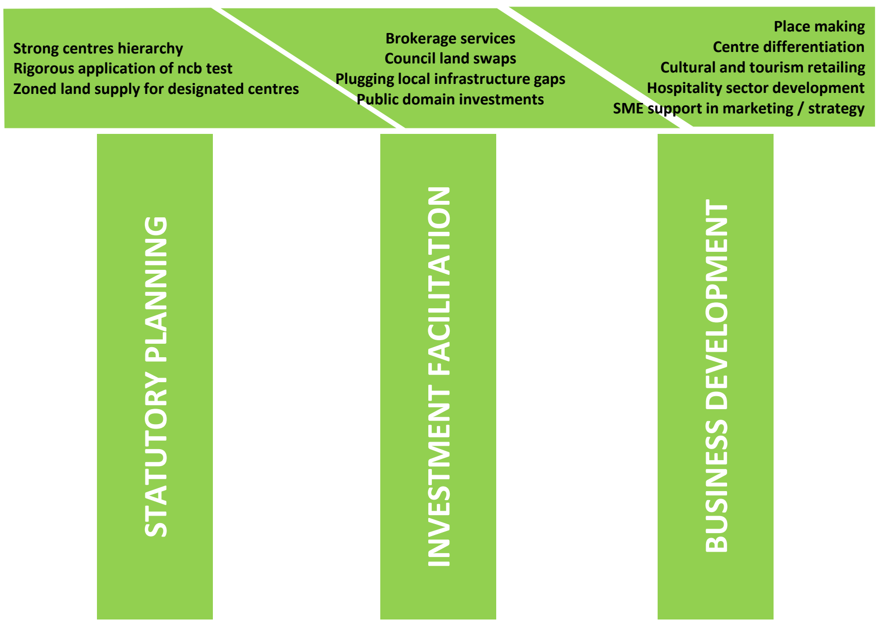
1. Demand for retail floorspace in infill locations will increase significantly, with pressure for both expansion of existing centres and new out-of-centre developments emerging within Geelong.

2. Growth in demand across existing centres in infill locations is likely to be evenly distributed, resulting in moderate levels of overtrading across most centres if no new floorspace is constructed.
3. Although population growth in Greenfield locations is undoubtedly significant over the next 20 years, the modelling demonstrates that in many cases such as Armstrong Creek, there is sufficient activity centre based retail floorspace planned to meet future demand generated by projected population growth to 2031.

A number of issues will need to be addressed in any CoGG strategy to manage this evolving demand and supply situation. These include:

- The uncertain distribution of population growth across the City, particularly given the designation of Lovely Banks as a new urban expansion area
- Poor configuration of supermarkets and bottleshops in a number of neighbourhood centres
- Poor trading of department stores
- Impact of online and the omni-channel approach to retailing
- A limited retail ecology across the City, with a relative lack of cultural and destination shopping
- The relationship between retail system development and employment
- Underdeveloped strategic management skills amongst retail SMEs
- The adequacy of zoned land for bulky goods retailing
- The potential for incumbents to use land ownership strategies to forestall competition
- Impact of 2013 zone reforms and the future of floorspace caps in Geelong
- Managing advance investment in retailing, and
- Rigorous application of the net community benefit test in judging the merits of out-of-centre and otherwise non-compliant retail proposals.

A three pillar strategy is required to deal with these issues and to realise best value for residents, visitors and workers in Greater Geelong. This is summarised as follows:



Source: SGS Economics & Planning Pty Ltd

On the evidence and analysis in this report, the key strategic directions for the 'statutory planning' pillar include:

- **Direction 1** Continue the strong commitment to the retail hierarchy, with particular regard to maintaining the primacy of the Geelong CBD and the secondary and tertiary status of the Sub-Regional Centres and Town Centres.
- **Direction 2** Allow flexibility for out-of-centre development to take place within the Neighbourhood Centre level in the hierarchy, but subject to a rigorous net community benefit test.
- **Direction 3** Allow flexibility for bulky goods retailing to occur outside designated Homemaker Centres subject to appropriate resolution of any traffic, active transport, land use interface and place making issues, as well meeting the net community benefit test if the development in question comprises intensive retailing.

The key tools in implementing these strategic directions will be **floorspace caps or 'envelopes'** for all designated centres and a clear procedure for application of the **net community benefit test**.

1 INTRODUCTION

1.1 Purpose

The City of Greater Geelong commissioned SGS to research, develop and finalise a Retail Strategy for all towns and centres across Greater Geelong.

The specific focus of this strategy is to inform Activity Centre planning. Whilst economic development, Activity Centre design and non-retail floorspace are all relevant issues for consideration, the report primarily seeks to address the quantity of retail floorspace required across Greater Geelong until 2031.

In turn, the retail strategy will inform Council on appropriate means of managing the growth of retail floorspace to achieve a net community benefit. Major considerations include the quantum, location, mix and timing of retail floorspace.

1.2 Issues and options paper

This first report is an Issues and Options Paper. A considerable amount of research, consultation, modelling and analysis has been completed in this initial stage of the project to guide SGS and Council in the development of the Retail Strategy. This assessment includes an examination of the strategic planning and policy context, current levels of retail supply and demand, and detailed modelling of:

- Future population projections by small area
- Future expenditure projections at small area level by commodity types
- Transport modelling for travel time interactions between retail centres and consumer-residents
- Centre catchment modelling based on the transport modelling
- Retail floorspace demand forecasting

Through this analysis, SGS has identified a number of strategic issues requiring Council attention. The various options for dealing with these challenges and opportunities are discussed in the final chapter of this report.

1.3 Structure

The remainder of this report is structured as follows

- **Section 1.4** presents the City of Greater Geelong Study area and context along with key geographies used in the analysis.
- **Section 2** summarises the key policy documents which guide retailing, economic development and centres planning at the State, Regional and Local levels
- **Section 3** then provides strategic discussion of planning principles, exploring the centres hierarchy and net community benefit concepts in a retail planning context
- **Section 4** discusses the key trends driving retail activities in Greater Geelong
- **Section 5** presents an explanation of modelling undertaken for this project including the framework, inputs, assumptions and outputs
- **Section 6** is the supply analysis, which deals with existing store distribution, the centres network and trade areas.
- **Section 7** is the demand analysis, which deals with population and expenditure forecasts
- **Section 8** aligns supply and demand, then summarises the issues and options which form the basis of a preferred strategy.

A second, accompanying, report sets out the strategy and planning policy arising from the evidence base in this paper.

1.4 City of Greater Geelong study area

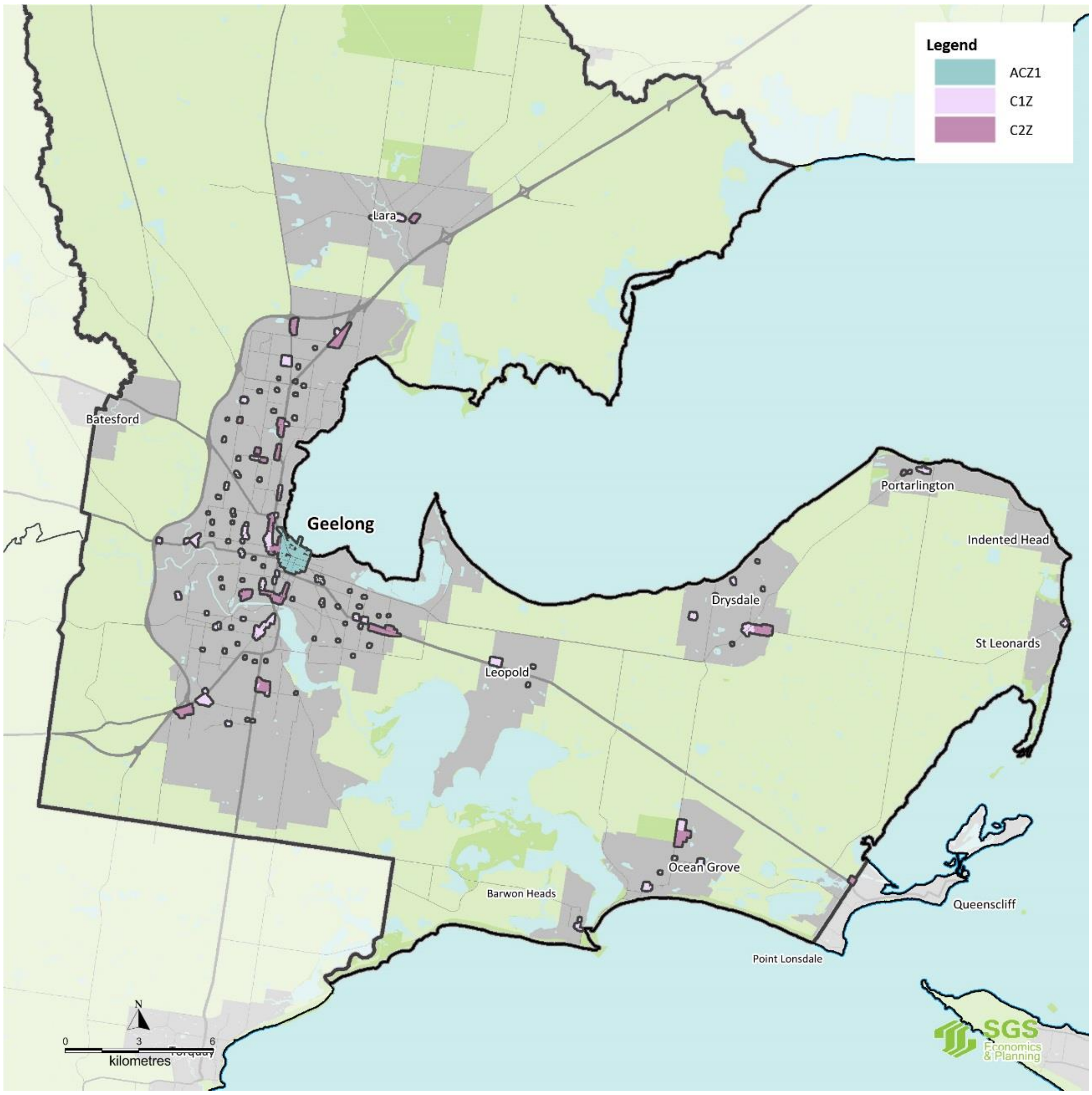
Figure 1 presents Greater Geelong within the broader regional context. It is located on the west of Port Phillip Bay, approximately one hour south west of Melbourne. It is the largest regional city in Victoria and is the principal centre for the broader G21 region which expands inland and along the coast. Greater Geelong also includes the Bellarine Peninsula which includes a number of distinct settlements.

FIGURE 1 CITY OF GREATER GEELONG, CONTEXT

Source: SGS Economics & Planning

Of particularly importance to this this Retail Strategy is the commercial zoned lands within Greater Geelong. Figure 2 presents the Commercial 1 Zone (C1Z), Commercial 2 Zone (C2Z) and the Activity Centre Zone (ACZ) across Greater Geelong. While these are not the only places where retail uses can locate, these zones represent the core locations for retail activity. Retail activity outside these zones has also been considered in the analysis and strategy development.

FIGURE 2 CITY OF GREATER GEELONG, SELECTED PLANNING ZONES



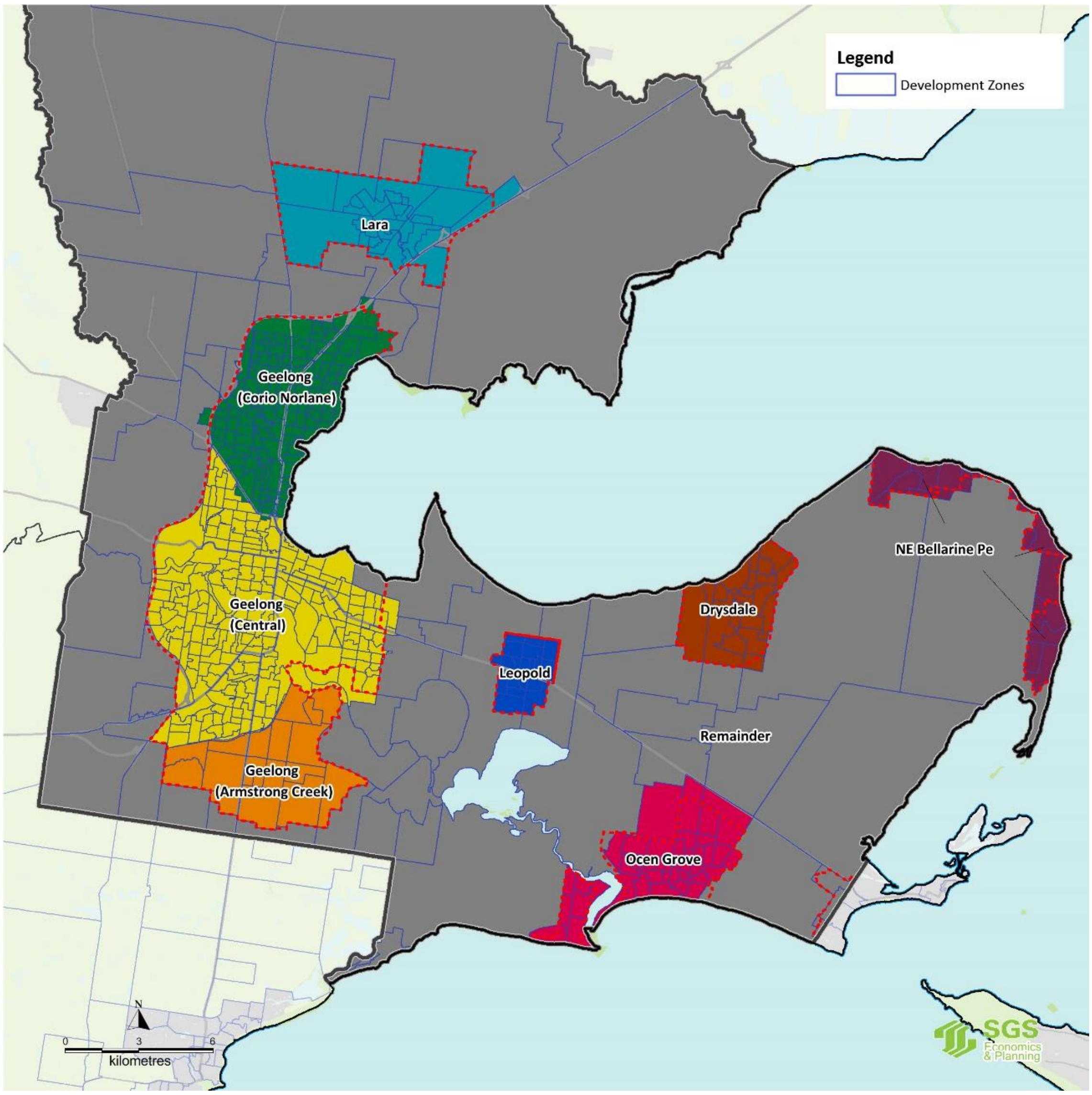
Source: SGS Economics & Planning

To better understand population growth and the associated implications for retail demand across Greater Geelong 560 *development zones*[1] were created for the study. These are presented with blue boundaries in Figure 3 below. This micro geography enables detailed analysis of catchments and mapping of results.

Within the report results in tables and charts have typically been aggregated to either

- Sub-regions (presented in Figure 3) – developed by SGS using the urban settlement definition, or
- Suburbs/Settlements (presented in Figure 4) – based on *ID Consulting* areas

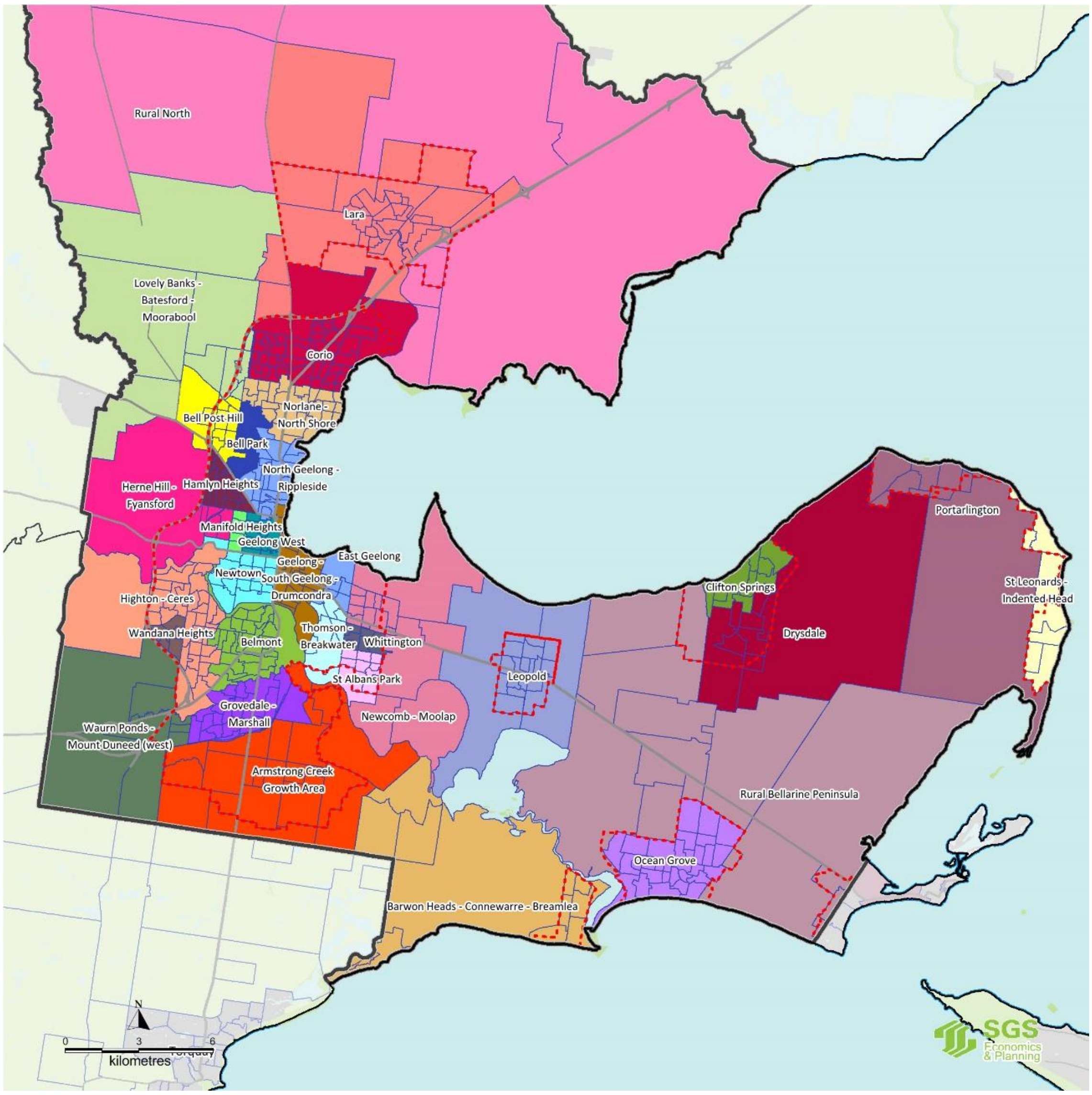
FIGURE 3 GREATER GEELONG SUB-REGIONS



Source: SGS Economics & Planning

[1] Development zones were created by SGS based on the Victorian Integrated Transport Model (VITM) Transport Zones and further disaggregated to align with local settlement definitions and separate land use functions (i.e. residential/park). Beyond the 560 Zones in Greater Geelong additional zones were created for parts of Surf Coast (39) and all of Queenscliff (7) as they are highly linked with the Greater Geelong retail economy.

FIGURE 4 CITY OF GREATER GEELONG, SUBURBS AND SETTLEMENTS



Source: SGS Economics & Planning based on ID areas

2 POLICY CONTEXT

This chapter provides an overview of existing planning and economic policy at the state, regional and local level that is of relevance to the development of this Strategy. The implications of the existing policy framework on the future strategy will be assessed.

2.1 State planning policy

State and regional planning policy guides the overall development direction of the region and can have both general and very specific impacts on employment lands across a local government area. There are two core documents in particular that will help guide retail growth and its location in Greater Geelong:

- **G21 Regional Growth Plan**: The current strategic plan for the region, which is adopted in the State Planning and Policy Framework (SPPF).
- **State Planning Policy (SPPF)**: This defines the tools and overarching planning policy framework for all local governments.

The following highlights key aspects of these documents which are relevant to Greater Geelong.

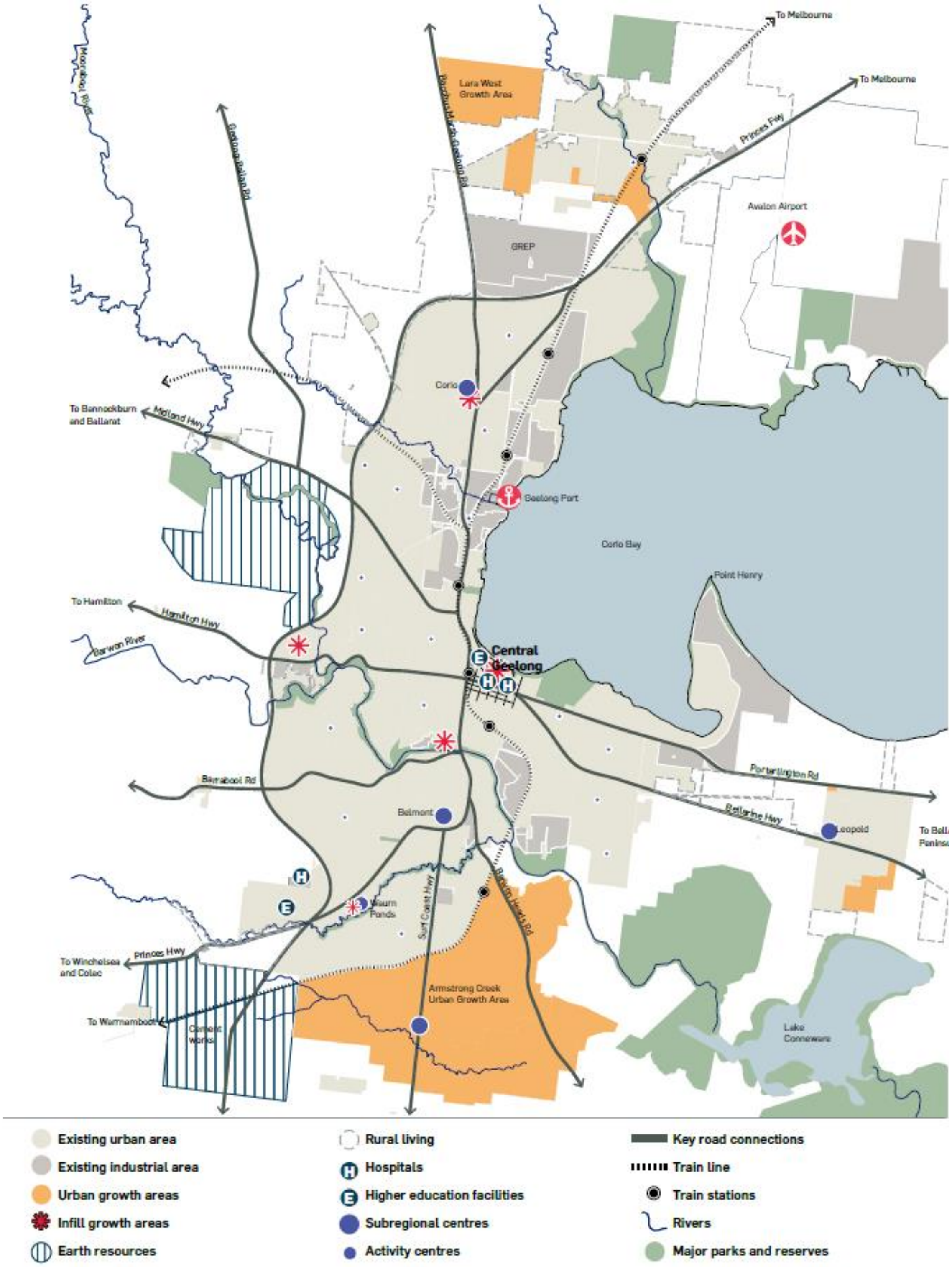
G21 Regional Growth Plan (2013)

The *G21 Regional Growth Plan* covers the City of Geelong and surrounding municipalities.

It identifies the retail sector as one of the key drivers of economic growth in Geelong over the last 10 years. The need for a review of the City of Greater Geelong Retail Strategy 2006 is noted as a strategic planning priority.

Infrastructure and services within the overall G21 region are to be optimised and consolidated, particularly those near central retail and transport nodes.

FIGURE 5 GEELONG GROWTH PLAN, G21



Source: G21 Regional Growth Plan

State Planning Policy (SPPF)

The SPPF sets the overall planning framework policy direction for the state. It encourages the concentration of major retail, residential, commercial and cultural developments into activity centres.

State strategy supports the role of Geelong as both 'the regional city' and Victoria's second city. Further development of district towns such as Bannockburn, Colac, Drysdale/Clifton Springs, Lara, Leopold, Ocean Grove and Torquay/Jan Juc is also to be supported. This will occur through the improvement and expansion of existing infrastructure, along with the development of new infrastructure, with growth directed towards key road and rail networks. Areas north and west of Geelong are also to be investigated for potential growth.

2.2 Local planning policy

While the SPPF sets out a strategic framework for employment land uses for Victoria, the Local Planning Policy Framework (LPPF), along with zones and overlays, is intended to provide guidance that is responsive to local conditions and opportunities. These policies need to be consistent with the SPPF.

Local strategies, structure plans and programs also help provide additional direction and detail to local policy. These documents vary in terms of their statutory power (or status) and currency (or date prepared) which should be considered when interpreting them.

The following section provides a brief overview of selected existing local policy relevant to this study.

Local Planning Policy (LPPF)

The LPPF guides planning policy at the local level.

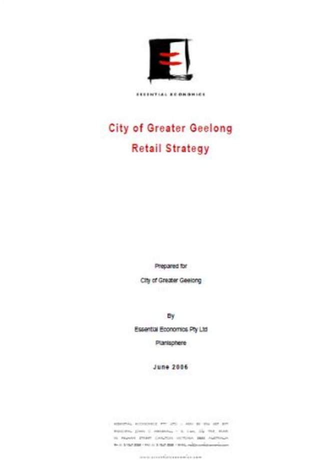
The need to ensure a mix of retail, office, cafes, entertainment, housing, education and community facilities in activity centres is identified in the LPPF. It also provides a Retail Activity Centre Hierarchy for Greater Geelong to establish the role of each activity centre by size and function. The Hierarchy supports the role of Central Geelong as the focus for retail activity in the region.

There is increased development pressure for sites located away from activity centres for certain retail types, including bulky goods and developments needing large sites and/or significant car parking. These are to be directed to the following:

- Central Geelong,
- The Waurn Ponds homemaker precinct, and
- The North Geelong homemaker precinct

All major retail developments and out-of-centre developments are to provide a clear net community benefit in order to be approved. Applications for new centres are required to prove the need for such a centre in the retail hierarchy, and moreover establish that it will not negatively impact on the hierarchy. Assessment criteria for retail planning applications, planning scheme amendments and floorspace cap increases have been established to ensure that these conditions are met, including the consideration of requirements across changing retail trends and demands.

City of Greater Geelong Retail Strategy (2006)


ESSENTIAL ECONOMICS

City of Greater Geelong
Retail Strategy

Prepared for
City of Greater Geelong

By
Essential Economics Pty Ltd
Planisphere

June 2006

The existing 2006 *CGG Retail Strategy* was developed to analyse the retail development potential for the municipality to 2021 and identify the location and format of future retail development. It was deemed important that the strategy be pro-active but remain flexible to adapt to market trends and changes.

The need to recognise and support the Retail Activity Centre Hierarchy, and discourage developments that threaten it, was identified. It was also found important to maximise retention of resident spending through the creation of attractive physical environments and new forms of retail development. The Strategy recommended that Activity Centres have multi-faceted roles, with a mix of activities and clustering of like activities. Out-of-centre development should be monitored and controlled. With many local convenience centres performing poorly, it was also advised that this network be consolidated, particularly as these centres are valuable in attracting walk-in customers and thus reducing car trips. Future proposals for outlet retailing were also considered favourably.

Locations for growth included: Central Geelong, other higher order sub-regional centres (e.g. Waurn Ponds, Belmont, Corio Shopping Centre), centres serving growth areas (e.g. Armstrong Creek growth area), and locations at the neighbourhood level with potential for infill development (Refer to Clause 21.07 and Clause 22.03 of the Greater Geelong Planning Scheme).

Housing Diversity Strategy (2007)

The Strategy aims to take a balanced approach to housing with three different area types of varying density and development form. These are:

Key Development Areas
These are large existing and future development areas with the potential to accommodate significant amounts of new medium and higher density housing. For example Central Geelong, West Fyans and Waurn Ponds.

Increased Housing Diversity Areas
These are areas where a mix of high, medium and conventional density housing will be encouraged, with more development occurring at the commercial core of the area and less at the edge, e.g. areas surrounding the North Geelong, South Geelong and Marshall railway stations.

Incremental Change Areas
These are residential areas where the majority of new development will be in keeping with Geelong's traditional suburban character.

The designation of these areas may indicate where growth in the retail and service sectors are either likely to occur, or where it should be directed as a result of future population growth in these locations.

Floorspace caps

Retail floorspace caps are a feature of the Geelong Planning Scheme. These caps specify the maximum level of retail floorspace that is permissible in specific Activity Centres and retail precincts. Without planning policy change several key centres in Greater Geelong would require a planning scheme amendment for expansion - provided there is some form of economic and policy justification supporting the expansion. Specific existing floorspace caps for centres are highlighted in the Schedule to the City of Greater Geelong's Commercial 1 Zone.

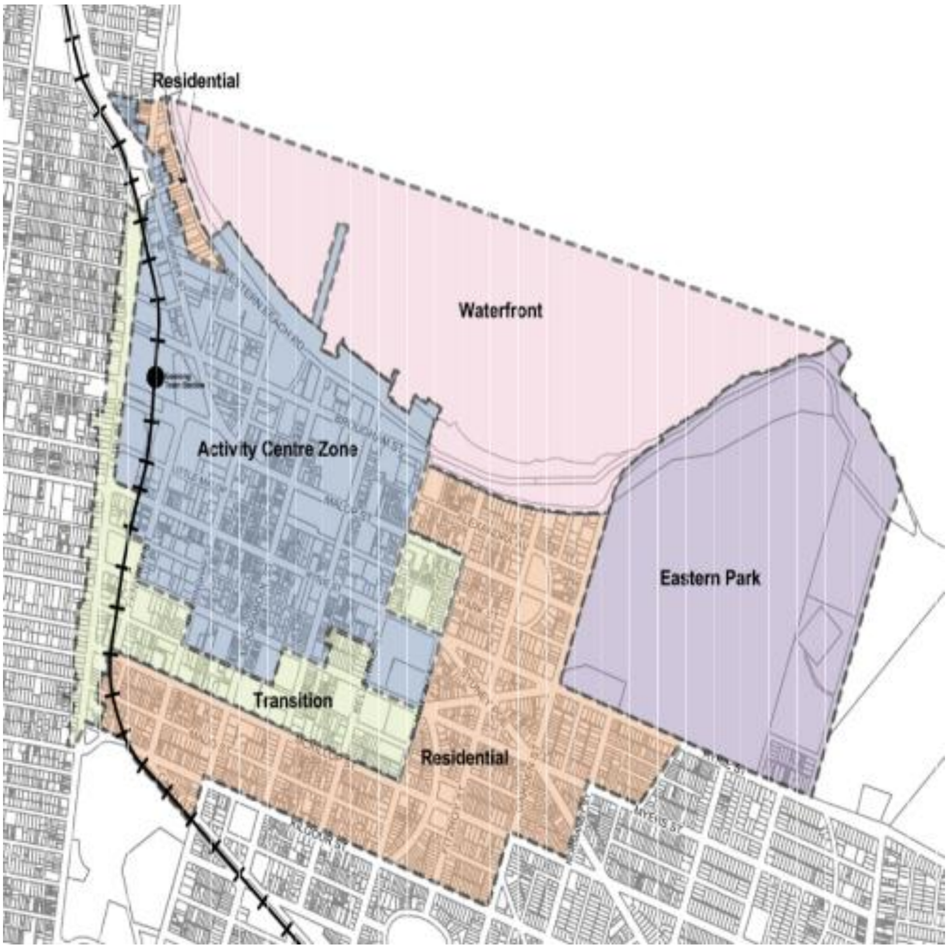
2.3 Locally specific policy

There are several features in the policy framework that are specific to particular centres, townships and growth areas. The intended roles of significant areas are summarised below.

Central Geelong

Central Geelong has been the subject of a number of strategic planning initiatives and public realm improvements in recent years as Council prioritises the revitalisation of the CBD. This has also been complemented with a comprehensive calendar of events and a range of place making initiatives which are monitored and reviewed regularly. This priority area is presented in Figure 6 below.

FIGURE 6 CENTRAL GEELONG PRECINCTS



Source: Clause 21.09-4 of Greater Geelong Planning Scheme

The ***Central Geelong Action Plan*** sets out Council's vision for the area and focuses on its strengths of learning, health and wellbeing, business and entertainment and the waterfront. Key aims are to increase the number of people living, studying and working in Central Geelong. These are to be achieved through a range of planned investment attraction and business stimulation initiatives.

As identified in the ***G21 Regional Growth Plan***, Central Geelong is to be the focus for investment, retail, education, culture, leisure, commerce, services and higher density residential dwellings in the G21 region.

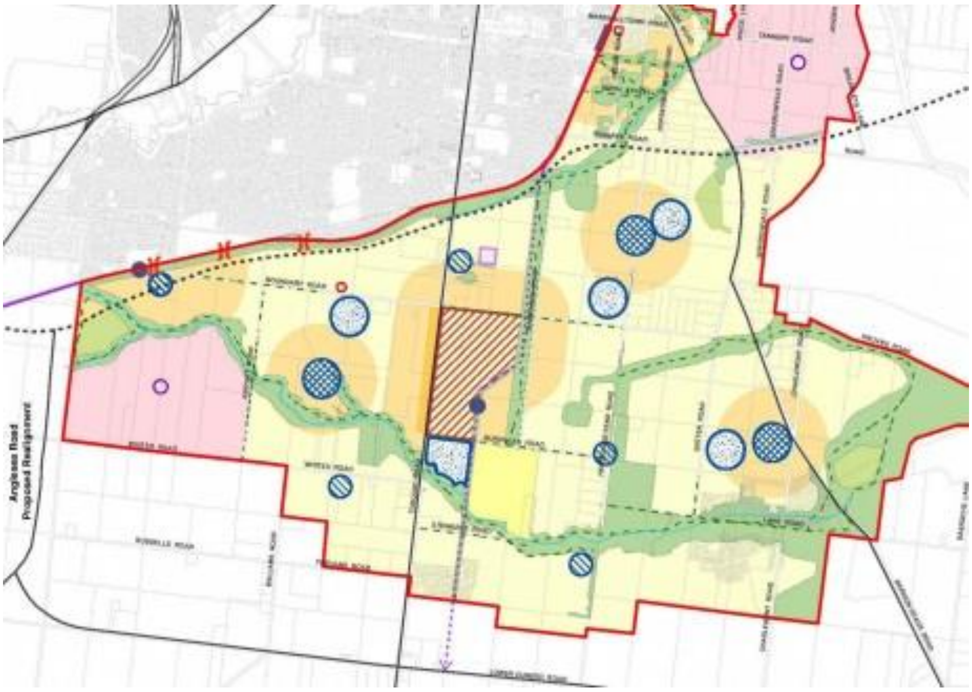
The **2006 *Retail Strategy*** named Central Geelong the symbolic and functional 'heart' of Geelong, recognising it as a significant centre in the regional catchment. The Strategy's aims for the centre included addressing the issues of a lack of private investment, the lack of vibrancy and run-down appearance of certain areas, by encouraging appropriate retail, non-retail and residential development.

The ***City Plan 2013-2017*** encourages greater mixed use for Central Geelong, with not only traditional retail but arts, culture, residential, entertainment, education, medical and business uses. This projected vibrant city centre is to promote inner-city living and be a cultural and inclusive university city, which supports and welcomes businesses. It is also to encourage active transport options. The *Urban Living Project* aims to encourage shop-top apartments and townhouses in the central retail area, offering residents the chance to live closer to retail, employment, transport, education and entertainment.

Armstrong Creek Urban Growth Area

Armstrong Creek (presented in Figure 7 below) is recognised in the LPPF as the primary growth area for the G21 Region. It identifies a need to establish a network of mixed use activity centres to provide for the needs of the incoming community.

FIGURE 7 ARMSTRONG CREEK URBAN GROWTH AREA



Source: Source: G21 Regional Growth Plan

Lara

Strategically located between Geelong and Melbourne with excellent transport links, the LPPF recommended retail and commercial expansion to provide for local residents and reduce the high level of escape expenditure. Retail and commercial activities at this town centre are being consolidated, and new development is being integrated into the existing facilities in the centre.

The town centre is being expanded and appropriate zones have been applied to provide additional retail and commercial land, including for a full-line supermarket and community and transport infrastructure. Lara contains designated significant growth areas for accommodating new urban growth in the CoGG. The development of this town centre is being completed.

Ocean Grove (Bellarine Peninsula)

New Greenfield development is to be directed to the designated growth area in the north-east of the township, while ensuring that the town centre remains the primary retail centre. Ocean Grove contains designated significant growth areas.

Leopold (Bellarine Peninsula)

Leopold is to be supported as a Sub Regional Retail Activity Centre for the Bellarine Peninsula. Leopold also contains designated growth areas.

Drysdale/Clifton Springs (Bellarine Peninsula)

New urban growth in the CoGG is to be directed to the Jetty Road Urban Growth Area and other areas identified for residential development in Drysdale/Clifton Springs. The Drysdale town centre is to be reinforced as the primary retail centre. Strategies include the development of an additional supermarket.

Corio and Norlane

Corio and Norlane are identified by the *G21 Regional Growth Plan* as areas to which infill and higher density housing are to be directed. The towns have a number of under-performing local shopping centres that could benefit from efforts to address their presentation and function. The Corio Sub-Regional Activity Centre is to be improved and expanded, with retail, offices, cafes and restaurants and health services to be developed in its surrounds.

2.4 Implications

The Retail Activity Centre Hierarchy plays a key role in the policy framework surrounding the position and structure of activity centres in the City of Greater Geelong. Central Geelong is acknowledged across the strategic framework as playing a central role in the City's retail and commercial activity. It is likely to continue to perform this function, given the degree of state investment into the area and its support in state, regional and local planning policy.

All other centres also contribute to the maintenance and growth of Greater Geelong's retail economy; albeit to varying degrees based on their role in the retail hierarchy. Given that growth is either predicted or planned to be directed to certain sites across various towns and growth areas, retail and commercial growth will likely accompany population growth at these sites, or are to be encouraged to do so. Those areas designated 'Key Development Areas' and increased 'Housing Diversity Areas' are likely to be the best positioned for retail growth, as they are usually anchored around existing established retail centres.

3 PLANNING PRINCIPLES

3.1 Purpose

In commissioning a review of its retail strategy, the City of Greater Geelong wants to ensure that sufficient land and development opportunities are provided so that shopping centres can grow and adapt as the City's population grows and changes.

Some commentators suggest the market could be left to its own devices in meeting this outcome of supply and demand balance in retail floorspace provision. That is, developers could be left to propose expansion or initiation of shopping centres wherever or whenever they see an opportunity for viable investment. Typically, this laissez faire approach is not adopted in planning schemes because it is likely to generate several negative side effects in the process of meeting consumer demands. These side effects can include excessive impacts on existing shopping centres, adverse amenity effects for surrounding neighbourhoods and poor transport outcomes.

There is a need, therefore, to strike the right balance between flexibility for the market to respond to opportunities and the creation of neighbourhoods and places that work well from a broader community perspective.

This section of the report addresses the *planning* principles which might govern how this balance is struck in Greater Geelong.

Subsequent sections will focus on the *market* side of the equation, that is, supply versus demand.

3.2 Underpinnings of Geelong's current retail strategy

Commitment to a robust centres hierarchy lies at the heart of the City of Greater Geelong's current retail strategy, as documented by Essential Economics and Planisphere in 2006[2].

'Support for the retail hierarchy' is one of three pillars in the strategy, alongside *'encouragement of centre management and business development'* and *'enhanced urban design in activity centres'*.

The 2006 strategy goes on to elaborate this planning principle regarding the centres hierarchy as follows:

> ***The retail activity centre hierarchy will be supported so that the specific roles, functions and themes of centres in each level in the hierarchy are easily identifiable, thus providing certainty for stakeholders including Council, developers, property owners and businesses.***
>
> *The retail hierarchy is an important tool in defining the type and extent of retail provision for activity centres, having regard also for retail competition and the extent of the surrounding catchment. The hierarchy reflects the fact that centres of different sizes perform different roles in retailing and related activities, and this hierarchy assists in planning for the efficient delivery of these retail and business services*

[2] Essential Economics Pty Ltd & Planisphere (June 2006) City of Greater Geelong Retail Strategy, prepared for CoGG

Reference to the retail centre hierarchy also provides an important reference point in assessing applications for retail (and other) development in activity centres. (p 12)

The centres hierarchy adopted in 2006 (and reproduced at Figure 8 and Figure 9) was intended to act as a key reference point in the assessment of 'out-of-centre development' proposals, including homemaker and similar 'bulky goods' developments. The strategy required that:

"retail activities which occur away from activity centres involve an aggregation of uses at appropriate locations, and that such development contributes to the achievement of a net community benefit and does not undermine retail activity centre policy". (p 17)

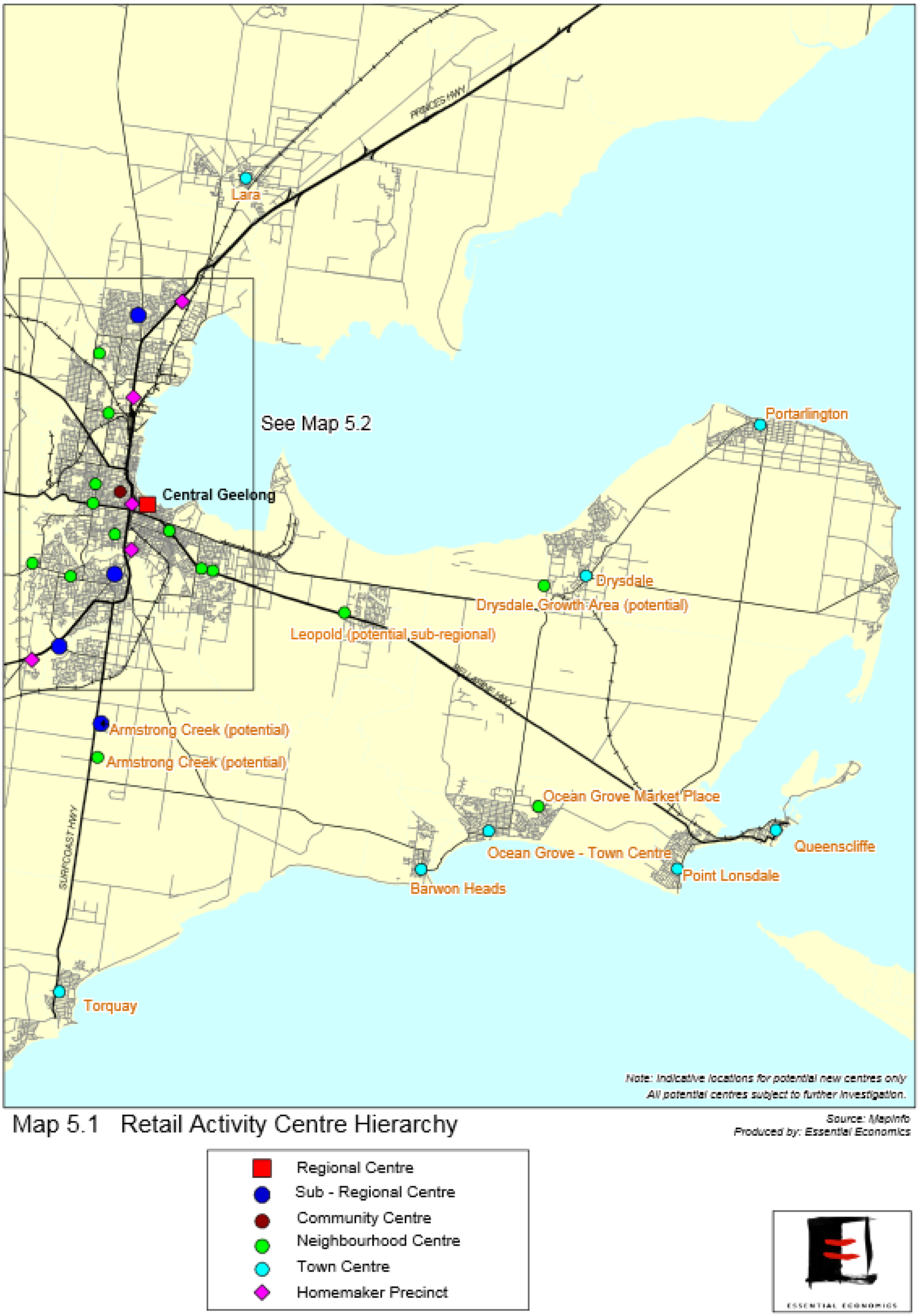
FIGURE 8 CENTRE HIERARCHY ELEMENTS (2006 STRATEGY)

Level in Hierarchy	No. of Centres in CoGG	Typical Catchment Population	Indicative Retail Floorspace Range	Examples of Key Tenants
Regional Centre	1	Up to 300,000 people	More than 100,000m2	Department store, discount department store(s), mini major(s), supermarket(s) and extensive range of specialties
Sub-Regional Centre	3	40,000 to 80,000 people	15,000m2 to 35,000m2	Discount department store(s), mini major(s), supermarket(s) and specialties
Community Centre	1	Around 40,000 people	10,000m2 to 25,000m2	Supermarket(s), mini major(s) and specialties
Neighbourhood Centre	10	8,000 to 25,000 people	2,500m2 to 10,000m2	Supermarket (small or full line), primarily convenience oriented specialties
Town Centre	6	5,000 to 25,000 people	1,500m2 to 15,000m2	Supermarket, mini major(s), specialties
Local Shops	numerous	Up to 5,000 people	Up to 1,000m2	Convenience and service retail
Homemaker Retail		At least 100,000 people	5,000m2 to 50,000m2	Large restricted retail type tenants

Source: Essential Economics

Note that the terms used in Figure 8 generally correlate to those that are commonly applied to describe centres of similar sizes in retail hierarchies across Australia. Whilst terminologies in State Planning Policy used for describing centres in Metropolitan Melbourne have changed under *Melbourne 2030*, *Melbourne @ 5million* and *Plan Melbourne*, the centre hierarchy applied in Figure 9 is still broadly relevant to the City of Greater Geelong. However, some adjustments to the hierarchy and labelling are warranted on the strength of this study. We describe these changes in the next chapter.

FIGURE 9 RETAIL CENTRES HIERARCHY 2006 STRATEGY



The status of the adopted centres hierarchy as the corner-stone of the 2006 retail strategy is further evidenced in the criteria which Essential Economics and Planisphere propose for the appraisal of new retail proposals in the City. These include a 'sequential test' whereby proponents must demonstrate why their project cannot be accommodated in an existing activity centre, or, failing that, why it cannot be accommodated in an edge-of-centre location, or failing that cannot be accommodated in designated homemaker precincts.

In addition, proponents of such investment are required to produce an 'economic impact report' which addresses the following points:

- supporting evidence of retail demand
- assessment of any likely impact on existing retail facilities
- description of anticipated benefits to community (measurable and non-measurable)
- estimated contribution to employment (in both construction and retail operation), and noting the indirect flows (although these generally accrue to a wide area, including the State and national economies)
- overall contribution to net community benefit. (p 47)

The scope of 'net community benefit test' cited here is defined in the 2006 strategy to include:

- employment generation (or loss) during construction and operation
- impact on shoppers' retail choice
- impact on overall levels of vibrancy and sustainability in the centre
- contribution to increased levels of public transport use
- contribution to liveability, social interaction, and other community-related goals,
- and, for larger projects non-retail impacts including traffic circulation and parking demand/supply, environmental effects on adjoining activities, local character and amenity impacts (pp 49-50)

3.3 Why commit to a centres hierarchy?

Notwithstanding that the hierarchy of centres forms the foundation of the City of Greater Geelong's planning policy for retail development in the municipality, it remains a contested principle outside urban planning circles. Indeed, there have been a range of high profile enquiries undertaken by Parliamentary Committees, the Commonwealth Treasury, the Productivity Commission and various industry bodies challenging the restrictive nature of centres hierarchies as the basis for planning controls on retail investment. Several of these critics have claimed that such planning laws are stifling investment by retail innovators (with Aldi often being cited as a protagonist) thereby hampering competition to the detriment of the consumer.

In this environment, it is essential that the City of Greater Geelong spell out ***why*** adherence to a centres hierarchy is a good thing for the community.

Without a compelling articulation of the economic, social and environmental benefits offered by adherence to a centres hierarchy in retail planning, the City's revised strategy is likely to be forever vulnerable in planning review forums, such as Planning Panels Victoria and VCAT.

Accordingly, in the following paragraphs, we outline the planning rationale for a strong centres hierarchy in Greater Geelong.

Planning policy across all jurisdictions in Australia has recognised the continuing tendency for retail activity to form into hierarchies of centres.

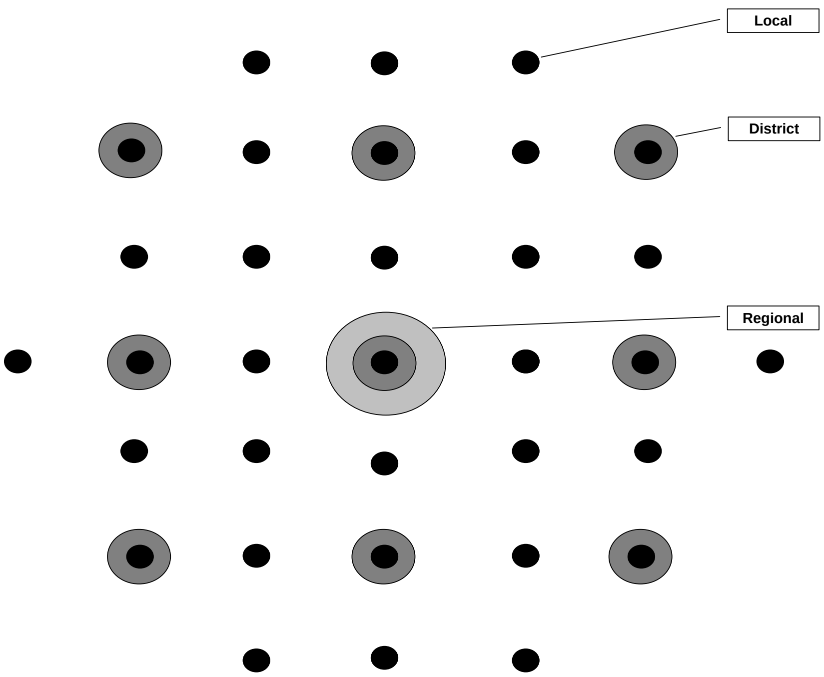
These hierarchies of centres reflect typical citizen perceptions of 'community'. That is, the sense of local, district and regional identity is often defined by reference to the centres serving these various geographic spheres of affiliation.

These hierarchies also reflect typical shopping behaviours. More frequent, short distance and low spend visits are made to a local centre, versus occasional high spend visits to more distant centres offering higher order goods and services. In these hierarchies, lower order functions can 'nest' within higher order centres (Figure 10) in order to:

- Co-locate services and/or investment
- Promote and optimise accessibility for residents
- Manage impact on other centres to maintain healthy centres

If shopping opportunities are spatially arranged in this way, ***the consumer and environmental travel cost associated with the delivery of retailing services will be minimised***. It is for this reason that the Victorian Government, in 2013, explicitly retained provisions for floorspace caps in the planning of Melbourne's growth areas and regional areas, even though such limits were loosened in those parts of the metropolis with more established retail hierarchies.

FIGURE 10 RETAIL HIERARCHY IN SUBURBAN ENVIRONMENTS



Source SGS Economics & Planning

SGS research comparing shopping travel outcomes in the US and UK provides some evidence for the travel efficiencies arising from the application of planning policies to form and retain retail centres hierarchies. As highlighted by Fels et al[3], US retailing patterns are much more open to new format retailing in 'out of town' locations, whereas there has been a long history of strong centres policy in the UK. Against this background, it is noteworthy that Americans travel about 3 times further (by motorised transport) to access retail offerings compared to their British counterparts (Figure 11).

[3] Fels, A, Beare, S. and Szakiel, S. (2008) Choice Free Zone; Competition and innovation on this site is discouraged under the Environmental Planning and Assessment Act Published by the Urban Taskforce

FIGURE 11 SHOPPER TRAVEL BY CAR UK AND US

	Annual VKT* (Shopping) - km	Annual VKT per capita
UK (2006)	44.6 billion	738
USA (2001)	529.1 billion	2,329

**VKT = Vehicle Kilometres Travelled*

Source: UK Government (2006) Barker Review of Land Use Planning, US Department of Transportation (2004) 2001 National Household Travel Survey

While some of this difference might be explained by higher average income levels in the US, urban form, including density (which itself can be seen to be a function of centres structure), is likely to be a key driver.

Previous SGS research[4] similarly suggests that shopping travel in Australian cities is also more efficient than in US counterparts (Figure 12).

FIGURE 12 SHOPPING TRAVEL (CAR) – US CITIES VS MELBOURNE & SYDNEY

City and year of data	Population	Average distance per shopping trip (km)
Sydney SD 2005	4,191,000	6.8
Melbourne SD 2007	3,800,000 (approx.)	5.0 (approx)
Atlanta 2001	4,433,000	11.5
Boston 2001	6,175,000	8.4
Denver 2001	2,608,000	21.8
Los Angeles 2001	15,584,000	9.3
San Francisco 2001	7,146,000	10.1
USA 2001	277,203,000	10.8

Source: US Department of Transport, Victorian Government VISTA, NSW Transport Data Centre

Aside from the vital benefit offered by retail centres hierarchies in terms of transport sustainability, there is a strong nexus between centres policy and urban consolidation. Vibrant nodes of commercial, retail, entertainment, health and civic services provide the nuclei around which more dense housing can form. If such centres do not exist, or if they are unable to 'promise' a continuity of services and public transport for their walkable catchments, it is likely that households will prioritise space – in dwelling floor area and lot size – over convenience of access to services. Ultimately, this generates sprawling low density environments.

3.4 The net community benefit test

The net community benefit test for out-of-centre proposals in Greater Geelong, as set out in the 2006 strategy, requires a review. More operational detail is required, and it is important to properly reflect impacts on travel sustainability as these are, after all, fundamental to having a hierarchy in the first place.

[4] SGS (2008) Competition, Sustainability and Centres Policy in NSW: A Review of the Urban Taskforce "Choice Free Zone" Report, NSW Department of Planning

Guidance on how to renovate the net community benefit test provisions of the 2006 strategy is provided below.

Firstly, 'net community benefit' (or the interchangeable terms of 'net societal benefit', 'net welfare effect' or simply 'net benefit') needs to be defined in line with the standard practice in economics. Under this definition, the present value of the benefits generated by the proposal in question versus what would have happened in a business as usual scenario (or base case) is compared with the present value of the costs versus the base case.

This is the definition of net community benefit applied in Victoria's 'Regulatory Impact Statement (RIS)' process.

The 'net community benefit' test should cover the full spectrum of environmental, social and business impacts of the proposal at hand. Positive and negative effects are quantified and monetised as far as possible and then compared to arrive at a conclusion as to whether the proposal makes the community better off or worse off.

There are established disciplines, protocols and conventions for the preparation of these 'cost benefit analyses'. Victoria has formal guidelines for the appraisal and measurement of net community benefit through these analyses[5].

Through the prism of cost benefit analysis, there are several common pitfalls in the current assessment of net community benefit in matters of planning regulation. One is to confuse 'economic impact' with 'economic benefit'. The former deals with the commercial flow on effects of an initiative or program (sales made, people employed, suppliers contracted etc.), while the latter relates to an improvement in community welfare.

Another pitfall is to construe construction and operational jobs as a 'benefit' of a proposal whereas they are typically factored into cost benefit analyses as a cost. This is because the labour in question has an opportunity cost – it could be deployed elsewhere to produce benefits for the community were it not for the project at hand. Employment is usually only counted as a benefit when the project creates jobs for people who would otherwise be permanently unemployed or underemployed.

Moreover, a net community benefit assessment should compare the out-of-centre proposal with a base case which could see the retail investment in question occurring elsewhere in line with the centres policy. In this case, the jobs created in the out-of-centre proposal are merely redistributed from elsewhere.

A third common misapplication of the net community benefit test in assessing out-of-centre proposals is to implicitly or explicitly confine the analysis to the local district or host region of the development in question. Again, in line with advice offered by DTF, the frame for assessing net community benefit should be set at the State jurisdiction level. To do otherwise runs the risk of patently illogical findings; that is, a net community benefit may be found for the local area, but this might be more than offset by transfers or external costs for neighbouring communities or the host metropolitan area or state.

Under the standard principles of cost benefit analysis, the assessment of whether a net community benefit would be generated by an out-of-centre shopping centre proposal should:

– Identify costs and benefits which are marginal to a 'base case', that is a reasonable scenario of what would have happened anyway in the absence of the proposal at hand

[5] For further details, please refer to Planning Practice Note 46, which can be found here: http://www.dtpli.vic.gov.au/__data/assets/pdf_file/0007/229219/PPN46-Strategic-Assessment-Guidelines.pdf. All environmental, social and economic effects are outlined under Sections 12(2) (b) and (c) of the *Planning and Environment Act 1987*.

- Take a national or Victoria wide community perspective
- Discount transfer effects – that is, where one party's benefit is at the direct expense of another party, and
- Consider both market transacted costs and benefits and external effects.

As noted, the 'base case' is a vital concept.

Generally speaking, it would be incorrect or dubious practice to compare the costs and benefits of a proposal against a 'zero base', that is, on the assumption that in the absence of the proposal in question going ahead in Greater Geelong, there would be ***no*** change in current conditions in the municipality in terms of retail investment of the type being contemplated.

Typically, there *will* be a trajectory of outcomes (shopping access, travel, competition etc.) in the absence of the proposal. The purpose of the net community benefit test is to appraise whether the changed trajectory of outcomes with the proposal will be superior to that without the change.

In the absence of good evidence to the contrary, it is reasonable to assume that planning for the development of the retail network in Geelong will have been done with due diligence and there is adequate opportunity for the designated activity centres within that network to grow and evolve in response to changing retail needs in the City. So the base case would be one that envisages ongoing policy compliant development.

The net community benefit test revolves around whether a diversion of retail investment which is compliant with current planning policies to the 'out-of-centre' location would deliver more community gains than losses, at the State or Territory-wide level.

The following table lists the principal 'marginal' or 'incremental' costs and benefits that might attach to an out-of-centre retail development versus a base case. Those that are shown in **bold** are either missing or not adequately referenced in the 2006 strategy

FIGURE 13 NET COMMUNITY BENEFIT ANALYSIS OF AN OUT-OF-CENTRE PROJECT

Benefits versus the base case	Costs versus the base case
1. Improved amenity and place quality at the out-of-centre location achieved through retail development 2. (Potentially) earlier provision of expanded retail services for the district population	**1. Greater motorised travel externalities (air pollution and greenhouse gas emissions, accidents)congestion** **2. Reduced consumer surplus (shoppers will have to pay more in vehicle operating costs to achieve similar retail service outcomes)** 3. Foregone opportunities for more consolidated urban development in the district 4. Potential blighting of seriously impacted competing centres within the planned hierarchy (persistent vacancies, vandalism etc.) 5. Lack of co-location with community services

Trade diversions from surrounding centres per se are not recorded as a cost. These are simply competition transfer effects which are ordinarily excluded from cost benefit analyses. They only become an issue when they are of a scale that they cause *external* effects (losses to parties other than the adversely affected traders). These external effects relate to local area blighting when it is subjected to heavy vacancies and under investment in shopping centres thereby reducing the attractiveness of the retail offer for consumers unable to travel to an out of centre location..

Also, additional competition and consumer choice are not listed as a benefit. This is because under the base case commensurate investment in retail services is assumed to occur albeit across the network of centres and potentially by different proponents. However, allowance can be made for the earlier provision of expanded retail services via approval of the out-of-centre project.

Employment creation is not listed as a benefit, because the out-of-centre project is simply redistributing jobs (from the pattern under the base case) rather than creating new jobs per se.

Most of the six marginal impacts shown in the table are capable of quantification and monetisation using standard cost benefit analysis techniques.   Their application would result in a single measure of the scale and sign of the net community benefit associated with an out-of-centre retail development. That would get rid of a great deal of unnecessary disputation, or at least, considerably narrow the field of disputation in the development assessment process.

4 ECONOMIC CONTEXT

This chapter examines the broader context for the development of retail centres in Geelong, with particular reference to changing consumer behaviours, industry trends and the impact of technology.

4.1 Strategic importance of the Retail Sector

The retail industry is one of the most important economic sectors in Regional Victoria given its contribution to employment, income and the provision of goods and services across diverse spatial geographies. Acting as a primary shaper of local economies, the retail sector also impacts land use, form and function. It is therefore important that the location, type and amount of retail floorspace are carefully considered, i.e. in order to optimise economic, social and environmental outcomes.

Consecutive State planning strategies have identified the crucial impact retail makes in the regional context, and have traditionally designated activity centres based on existing commercial nodes accordingly. The basic 'building block' of an activity centre network and hierarchy is, in most cases, retail activity.

Centres that generate a substantial number of retail visits from a 'large' catchment are well placed to accommodate other regional scale activities such as community service and commercial activities – and there are a few of those in Greater Geelong. This is because retailing generates a large number of trips for a variety of purposes (from daily, weekly and more infrequent purposes). This enables other land uses to co-locate with retailing and thus generate co-location benefits. This includes the ability to undertake multi-purpose trips which may combine shopping with entertainment in the one location, and also allows the sharing of common infrastructure for public transport, open space and parking, for example.

As discussed in the previous chapter, a region's retail hierarchy can be defined as follows:

- **Regional centre** – a major retail centre that serves a wide catchment and is anchored by a department store, discount department store, supermarket and speciality stores
- **Sub-regional centre** – a major retail centre that serves a wide catchment (but smaller than a regional centre) and is anchored by a discount department store, supermarket and speciality stores
- **Neighbourhood centre** – a retail centre that serves a neighbourhood catchment (smaller than a sub-regional centre) and is anchored by a supermarket (or supermarkets) and speciality stores
- **Local shops** – a collection of small shops that perform a convenience commercial function, and
- **Bulky goods precincts** – which can be adjacent to centres or in standalone precincts and strips.

Ultimately, population catchments determine the economic possibilities when establishing an activity centre network – that is, a quantum of retail floorspace and type of floorspace.

Planning policy, however, determines how that floorspace is allocated.

4.2 Key trends impacting on the Retail Sector

Over the past decade, there has been strong growth in four broad approaches to retail:

Fast retail, which capitalises on efficiency, time savings and cost savings. In many respects this is a high turnover model which relies on large population catchments to capitalise on new technological innovations such as automated checkouts. Recent growth in retail activities across Greater Geelong has predominantly been in this domain.

Examples: Supermarkets, Bottleshops.

Slow retail, which engages consumers at a more comfortable pace. Typically this constitutes owner-operated shops with individuality and personality. This model is particularly well suited to smaller rural townships, as the ability of a retailer to build relationships and repeat sales with local customers is essential given the limited populations which can support trade within a given catchment. Quality of customer interaction, store design and finding a 'niche' in the market are key competitive advantages in this sector of retail.

Examples: local cafes, delis.

Cultural retail, which positions the arts as the centrepiece of a unique offer. On the ground, this form of retailing will usually possess cultural facilities as the major anchor of a commercial district/precinct. Any combination of museums, galleries, studios, arts retailers, offices and dwellings can all typically be found within a mixed use precinct. Whilst this model can serve to attract visitors, it should be concentrated in areas where sufficient critical mass and exposure can be achieved e.g. Central Geelong. It also requires strong collaboration between Council, the local arts community and retailers in implementation due to the inherent link between the private shop and the public space. Cultural retail is an important aspect of tourism development.

Examples: surf shops in coastal towns, arts and crafts stalls in cultural precincts.

Bulky Goods and Wholesale Shopping or **Large Format Retailing** is now a well-established element in retailing. There is a broad consensus in planning that this system has limited synergies with centres based shopping and can reasonably be managed independently from the latter, with due regard to key variables such as car access, availability of large footprint sites and highway exposure. Note that some types of 'bulky retailing' often take the form of smaller goods such as tableware, linen and other small furnishings. Such stores can often be encouraged to collocate with Activity Centres as larger format specialty stores, perhaps on the edge of centres.

Examples: Homemaker Centres, Hardware, Furniture and White Goods shops.

Slow and Cultural retail provide the greatest opportunities to progress retailing in Geelong's largest centres, and are the basis for new approaches to the development of Activity Centres. Typically they are also more likely to have stronger links back into the local economy and hence support further output growth. They should also be seen as a mechanism to help improve employment outcomes.

Whilst new proposals for fast retailing (supermarkets, discount department stores, etc) almost always articulate their possible positive local employment benefits, the reality is that most jobs associated with this form of retailing are low income and/or casual employment, with new technologies such as electronic check-out machines increasingly reducing even the stated levels of employment. Furthermore fast retail stores are often stocked with the inexpensive goods available in the global market, driving a preference for imported products over locally produced or manufactured products – thereby also eroding the market share of local manufacturers and primary producers. Ownership structures are also typically highly detached from the local community.

Slow retailers on the other hand, are often more likely to hire skilled full time employees on more reasonable wages, stock locally produced goods, and justify their higher price points by providing customer solutions and service. Typically they are owned and operated by local residents.

Cultural retailers also differentiate their products and service offerings – essential for attracting tourism as well as contributing to the overall ‘Geelong’ brand. They also tend to generate positive amenities in vibrant and attractive public spaces which in turn help to attract businesses engaged in higher order professional services – an industry sector which may well be the economic future of Geelong if a manufacturing revival is not forthcoming.

4.3 Online and other new innovations in retailing

Using ‘online’ retailing to local retailers’ advantage is also critically important. When this form of retailing first emerged it was initially seen as a direct competitor to store-based retailing. As the table below indicates, the two forms of retailing possess distinct advantages. Many retailers now have both a physical and online presence to maximise potential revenue sources.

FIGURE 14 ADVANTAGES OF RETAIL DISTRIBUTION PLATFORMS

Advantages of online stores	Advantages of physical stores
Broad selection	Personal Service
Richer product innovation	Ability to touch/try products
Customer reviews and tips	Shopping as an event/experience
Strong referral networks (Twitter, Instagram)	Social interaction and immersion
More time efficient	

Source: SGS Economics and Planning

This multi-channel retailing could involve a customer finding the store online and deciding to download the store app. The customer then visits the store, tries on and then purchases the product and with a 10% discount coupon from the app. In the process the store receives data about how the customer found the store and their preference. This feeds future research to deliver a more targeted product and service offer. The converse may also be impacting retail stores, with customers examining or trying on goods in store and then sourcing competitive prices and purchasing online.

Most clothing and personal item retailers in particular will need to integrate both platforms and assess whether the spending occurs online or in-store is irrelevant. Ultimately the physical store is still necessary, because there are many reasons why stores facilitate an important point of difference in the business model. However, it will simply form part of a broader retail package.

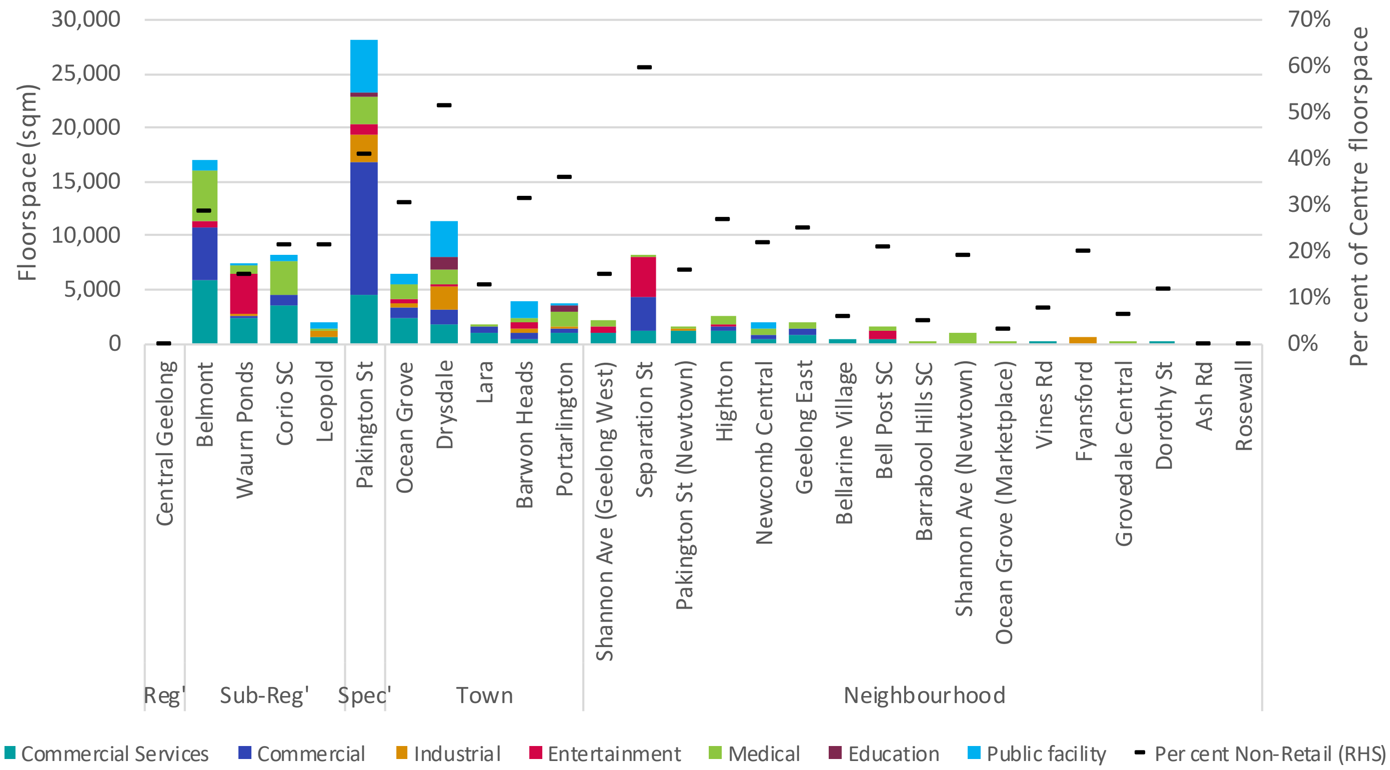
4.4 Broader uses in Activity Centres

Whilst Activity Centres (particularly in suburban contexts) are largely the domain of retail trade, many centres play a much broader social and economic role.

The focus of this report (and project) is to analyse *retailing* and its planning policy implications. However it is worth noting that many centres across Greater Geelong also possess significant levels of non-retail floorspace that has strong synergies with retailing. Indeed, many retailers benefit by co-locating with other facilities and non-retail businesses. This occurs through drawing trade from visitors that are attracted to the non-retail use.

Figure 15 summarises the significant levels of non-retail activities found in centres across Greater Geelong. Unfortunately, there is no detailed information available for Central Geelong. However, for the remainder of centres we see that approximately 20 per cent of floorspace is utilised by non-retail purposes. This is higher for the specialised centre of Pakington St (41 per cent) and also the town centres located in the hinterlands of Geelong (34 per cent). This highlights their broader service function. Typically (while not always) as centres move up the hierarchy they take on a broader economic function and as a result contain more non-retail uses.

FIGURE 15 NON-RETAIL ACTIVITY CENTRE FLOORSPACE ACROSS GREATER GEELONG



Source: Land Use Audit, VicClue for Central Geelong

In addition, as the wider economy shifts towards a more services dominated economy these higher order centres will increasingly need to take on a broader economic role.

4.5 Implications for Geelong

The retail system in Greater Geelong exhibits many of the patterns commonly observed across the rest of Victoria. However, some elements are performing more effectively than others. Fast retail, involving the sale of basic products in groceries and alcohol is presently successful and well distributed across the retail network. Most centres are well anchored by these elements.

Slow retail and cultural retail are both in shorter supply across the network. Slow retail is predominantly confined to the southern parts of the City and the Bellarine. This includes the experiential specialty shops of Pakington Street and the delis and cafes in Eastern Geelong.

Cultural retail is only operating effectively in the form of surf shop precincts in the Coastal Towns – particularly in Ocean Grove and Barwon Heads. The artisan form of cultural retail has potential in Central Geelong – but does not currently appear to be a significant player in the retail economy.

It will be the challenge of this Retail Strategy to ensure that (a) fast retail is available to service all communities within reasonable travel times and distances and (b) slow and cultural retail is improved across Greater Geelong, including in Central Geelong.

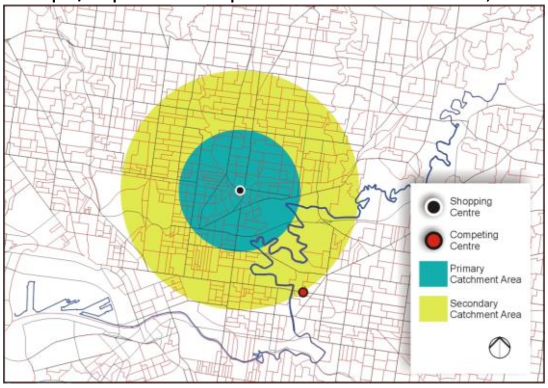
5 RETAIL MODELLING

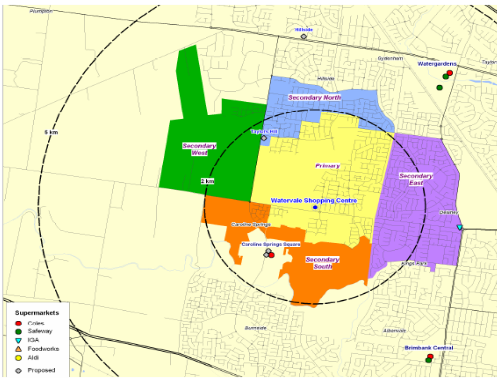
The following section outlines the retail modelling concepts and methodology used during this study.

5.1 Retail modelling techniques

There are broadly three approaches to analysing retail systems which are commonly used in retail economics and planning studies. These are broadly defined as:

- **Survey based** – where detailed customer and centre based surveys are conducted to understand where shoppers go and how much they spend at various locations. These are invariably very expensive to operate and often do not fully capture all behavioural aspects and/or are skewed by various forms of survey bias. They also provide very little means for predicting changes in the retail environment such as growth areas, or new shopping centres. However, they can be very effective at understanding one specific centre in detail.
- **Defined trade areas (or shift-share analysis)** – where distance catchments or *judgment based* trade areas (using natural/physical barriers) are defined and 'market shares' are estimated for each area to determine how expenditure is captured by a centre. This is often coupled with in-centre/customer survey to refine market share estimates. However, this approach is generally not undertaken on a network wide approach and over simplifies the system around one/a few centres. It is also highly dependent on an individual's personal judgment regarding how these trade areas are defined and the market shares. Typically it doesn't capture non-home based expenditure or escape/capture of expenditure from workers, students, tourist and online.





- **Gravity modelling** – takes a whole of network approach and seeks to use mathematics to model human behaviour. As well as being less expensive, mathematical models are much more reliable when predicting future consequences from changes in the retail environment due to their ability to systematically adjust all catchments given changes in input data (such as extra retail floorspace or population growth). Gravity models are now typically considered best-practice in retail economics in most jurisdictions across the world.

5.2 Using a Gravity modelling approach for Geelong

In contrast to the methodology used to generate the 2006 strategy, the current investigation applies a gravity modelling approach which simulates the flows of shoppers to different activity centres taking into account ease of access and the 'weight' or attractiveness of the various centres. The gravity modelling approach is more in keeping with real world behaviours because it avoids the definition of arbitrary catchment boundaries.

History of Gravity Modelling for Retail Economics

The first person to create a mathematical model to analyse the retail environment was Reilly in 1929. He created Reilly's Law of Gravitation that states:

> *"Two centres attract trade from intermediate places approximately in direct proportion to the size of the centres and in inverse proportion to the square of the distances from these centres to the intermediate place"*

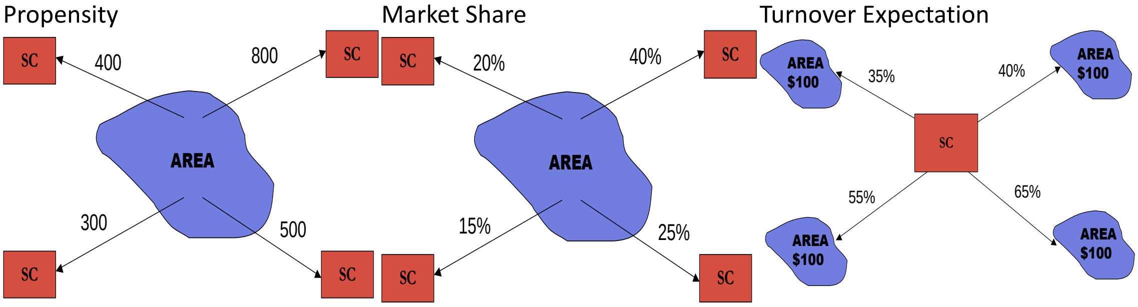
This law was further can be rewritten as a formula:

$$\text{Propensity to shop at a centre} = \frac{\text{Floorspace of shopping centre}}{\text{Distance to the shopping centre}^2}$$

Further work by Huff allowed Reilly's law to deal with the "evolving catchment" problem. This is achieved by breaking up the study area into many smaller sections. The market share in each section can then be found by dividing the propensity of the shopping centre in question by the total propensity acting on the area. By evaluating the amount of retail expenditure in each small section, it is then possible to evaluate the shopping centres turnover by adding up the market share from each section.

FIGURE 16 GRAVITY MODEL CONCEPT OVERVIEW

Propensity | Market Share | Turnover Expectation



Total Propensity = 2000

For example, the top left shopping centre has a market share of 400 / 2000 = 20%

Total turnover = $35 + $40 + $55 + $65 = **$195**

However, at this point we have assumed the only feature that is important with regards to how attractive the shopping centre is to its consumers, is the shopping centre size. Obviously this would most likely be incorrect, as this does not take into account other attributes, such as entertainment complexes, urban design, product range, etc. Therefore, the retail model developed by SGS in this project was designed to overcome these problems.

SGS Retail Gravity Model Concept

The SGS Retail Model is built upon this research as well as the extensive experience SGS has gained conducting many retail studies. The SGS retail model uses various aspects from the later work of Huff (1963), Lakshanan and Hansen (1965), and Bökemann (1982) among others. What makes the SGS retail model distinct from these other models is that the model modifies the above approach in the following way:

$$\text{Propensity to shop at a centre} = \frac{\text{“Attractiveness” of centre} \times \text{Floorspace of shopping centre}}{\text{Travel time to the shopping centre}^{2}}$$

The “attractiveness” of a shopping centre is a value that represents external attributes such as the centres appearance or design layout. Another important change is that time has replaced distance as a factor. This is to account for consumers going to alternative shopping centres that are based along major freeways or restricted to others based on natural barriers such as bays and rivers.

Unlike other gravitational models, the SGS model does not attempt to measure the effects of design layout or product mix in terms of attractiveness. Instead, it uses the shopping centre’s known current turnover as a basis to find the “attractiveness” value at present time. This attractiveness value is then used to forecast how the shopping centre will perform in the future given an increase in floorspace. This technique has only become possible in recent years due to the advances in computer technology and optimisation theory that simply did not exist in the past.

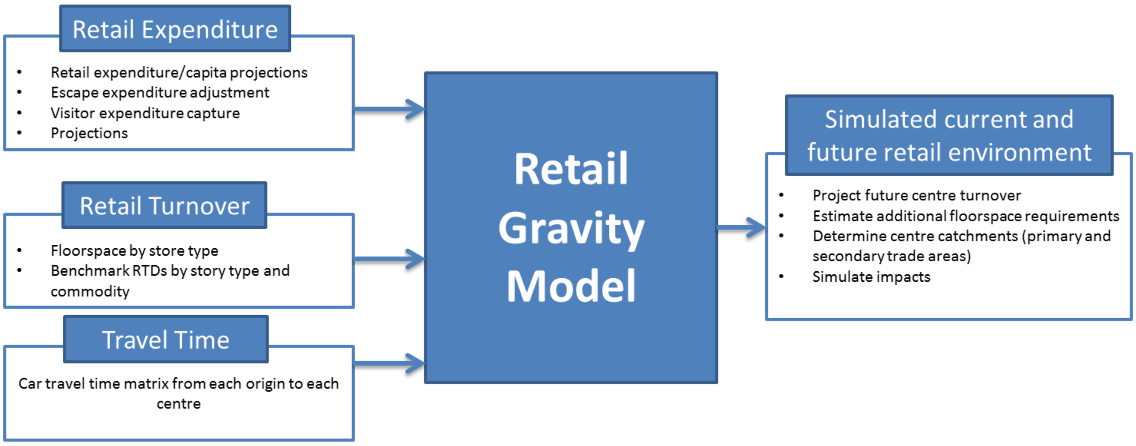
Another unique advantage of attractiveness values is the ability to forecast the viability of a new shopping centre. By assuming that the new shopping centre will be able to achieve a certain amount of turnover each year it is possible to work out how much more attractive the shopping centre will have to appear compared to the surrounding opposition. If the attractiveness value for the new centre is similar to the attractiveness of the opposition, then the centre is viable in that particular location.

A collateral benefit of the modelling approach is that it lends itself to ready estimation of some of the variables which are likely to be crucial in any net community benefit assessment of out-of-centre development proposals. In particular, impacts on competing centres can be calculated relatively quickly to see whether they are likely to be so severe as to cause persistent vacancies and blighting. But, perhaps more importantly, the gravity modelling can be harnessed to a travel model to estimate the extent to which the out-of-centre proposal will lead to additional vehicle kilometres travelled each year. To reiterate, mitigation of growth of vehicle kilometres is one of the main ‘missions’ of a retail hierarchy, and yet this effect tends to be ignored in the evaluation of out-of-centre proposals.

SGS Retail Gravity Model Framework
A customised gravity model has been developed specifically for the City of Greater Geelong. To create a largely self-contained system the model includes all of the City of Greater Geelong, Queenscliff and parts of Surf Coast. Analysis of online, student, worker, tourist and other expenditure flows has also been completed to account for any flows in/out of this system. This is further discussed in Section 5.3.

An overview of the key modules and process is presented below:

FIGURE 17 GEELONG RETAIL GRAVITY MODEL APPROACH OVERVIEW



As illustrated above there are three key inputs into the Retail Gravity Model. Detailed analysis has been completed for each input to ensure they are robust and as accurate as possible based on available information. This is detailed in the following sections.

5.3 Estimating Retail supply and turnover

Floorspace audit

SGS completed a land use audit for 108 centres across the municipality to provide a highly detailed account of floorspace by uses. The audit assessed the predominant floorspace type, the gross floorspace for each lot and the amount of vacant land or vacant units in each precinct.

The floorspace audit was conducted using SGS's own broad land-use categories (BLCs). BLCs are broad groupings of employment land use types developed by SGS to standardise our employment land study results. They include both retail and non-retail categories to provide a complete picture of uses within each centre. Supplementary datasets for enclosed malls were also sourced and added to this floorspace dataset.

This audit was also coupled with consultation with local retailers and centre managers to provide an in depth local understanding of the supply of retail floorspace across the municipality.

For Local Centres no site based visit was completed. However, detailed total floorspace estimates were created via building footprint measurements through the use of satellite imagery. These centres largely provide a local convenience role, typically with no supermarket, department store or bulky retailing. They would likely contain a range of local retail uses (such as specially – other, specialty – food or hospitality) along with non-retail based uses or even vacant shops.

There is also a loose cluster of restricted retailing activities in other dispersed locations. Council has audited these locations and SGS has incorporated this data into the retail modelling.

If additional information (such as, land audits, business surveys, consultation feedback) becomes available these assumption could be further refined generally or for specific centres. These revisions would be best incorporated in batches (i.e. every six months) along with other floorspace changes to major existing/proposed centres.

Retail Centre Turnover

Actual turnover data for every shop/centre across Geelong cannot be sourced directly. However, for a Strategic level study such as this, specific turnovers are not critical, rather an understanding of broader performance and associated supply/demand alignment. For this reason turnover by centre and store type is estimated for a base year (2011) based on typical floorspace and average Retail Turnover Densities (RTD). Where actual turnover information is available this is included for the centre. All centres across the network are then calibrated to the total expenditure pool from the previous step which provides the most accurate estimate of total expenditure/turnover across the entire system. This ensures average RTDs are adjusted to capture local expenditure behaviour.

RTDs are a commonly used tool in retail economics. They represent the total turnover of the shop divided by the floorspace area of the shop. They enable a consistent comparison of a shop/centres 'performance', similar to a housing density measure.

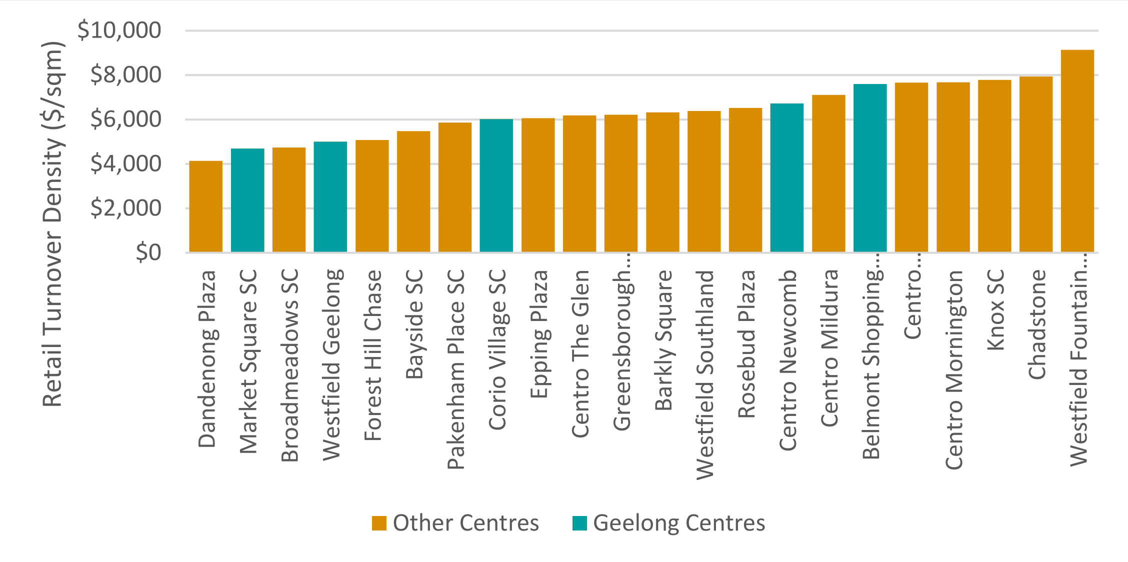
However, RTDs do (and should) vary significantly for a range of reasons by location and store type. This is due largely to varying cost inputs and performance. However, this does mean a store with a low RTD is necessarily less profitable. Therefore, RTDs should always be used at a strategic level (such as this project), as a guide and with consideration of the local market fundamentals.

The following two charts present some RTD averages to provide guidance as to how they vary for different segments of the market and spatially. As can be seen from Figure 18, Supermarkets typically perform around $9-11,000 per square metre, while Department stores perform around $2-4,000 per square metre. Overall Centre RTDs can vary significantly based on the store mix and also the rents. More accessible locations typically generate more customers and in turn have both higher RTDs and higher rents.

FIGURE 18 RETAIL TURNOVER DENSITY AVERAGES FOR DIFFERENT CENTRE TYPES

Source: Retail Averages - Urbis (2010)

FIGURE 19 RETAIL TURNOVER DENSITY FOR SELECTION OF CENTRES



Source: Australian Shopping Centre Database – Property Council of Australia

A brief analysis of recent 'shop' property sales suggests that property prices and in turn rents are likely to be significantly lower in Geelong compared with Metropolitan Melbourne. This will of course vary based on the specific centre, however it does highlight the fact that shops in Geelong will not have as high rents as in Melbourne, on average, and as such will not need to have the same level of RTD to be profitable.

FIGURE 20 MEDIAN SHOP PROPERTY PRICE COMPARISON

	Melbourne	Regional Vic	Geelong
Median Price p/sqm	$4,100	$666	$1,268
Percent of Melbourne		16%	31%

Source: A Guide to Property Prices – Valuer General

Using network wide floorspace data and expenditure information, regional level RTDs can also be estimated (see Figure 21 below). This highlights that in general Geelong's current RTDs (2014) are significantly lower than the Victorian average (largely skewed by Melbourne) (Option 2). However, based on the variability of RTDs across the state and an understanding of where Geelong fits into the economy, SGS would not expect Geelong to perform at the same level as Victoria.

Cognisant of some features that are unique to retailing in Geelong, SGS has created an 'optimal' RTD (Option 3) level for Geelong which sits between where Geelong is now and Victorian averages. This represents a level where centres on average would be performing well. While this would vary on a store/centre bases it provides a robust benchmark across the network for strategic level planning.

FIGURE 21 CURRRENT AND TARGET RTD ESTIMATES

	Supermarket and Grocery Stores	Department Stores	Bulky Goods	Specialty – Food & Drink	Specialty – Non food	Hospitality
2014	$9,924	$2,814	$2,322	$8,722	$2,776	$3,485
Option 1 – Do Nothing (2031)	$15,378	$4,293	$3,630	$13,218	$4,065	$4,735
Option 2 – Victorian Average	$10,800	$4,500	$2,900	$7,200	$6,600	$5,800
Option 3 – Optimal	$10,000	$3,500	$3,000	$9,000	$4,000	$4,000

Source: SGS Economics and Planning

Note, if no new retail floorspace is added to centres network, one would expect RTDs to increase significantly over time across most – if not all – centres.

5.4 Estimating the Greater Geelong retail expenditure pool

Expenditure is estimated by small areas based on ABS SA1s and further split around growth areas. Expenditure is split by commodity types and takes into account localised demographics.

While floorspace is typically measured by store type, categorising expenditure by commodity is more appropriate, as this is how consumer decisions are made (i.e. as would usually make a decision on what food products to buy before selecting which store to buy from).

The following commodity types have been modelled:
- Fresh food and groceries
- Pharmaceutical, toiletry and cosmetics
- Tobacco and bottleshop spending
- Restaurants, cafes and take-away spending
- Clothing and shoes
- Newsagent and lotto
- Personal items and services
- Furniture, whitegoods, manchester and home decoration
- Electronic home entertainment
- Hardware and gardening

Resident expenditure

Resident based expenditure accounts for the core source of expenditure in a retail system. Current total and per capita resident expenditure is sourced at a small area level (SA1) across 24 commodity groups (these include non-retail categories such as transport, mortgage, utilities) from Market Data Systems (MDS) – MarketInfo. MDS are the industry leaders in estimating current small area expenditure. They draw on the latest Household Expenditure Survey (HES), 2011 ABS Census and other datasets to create robust small area expenditure estimates for 2014. This level of detail captures demographic and locational variations in spending.

This information is then combined with ABS retail trade data to forecast inflation adjusted expenditure per capita at a small area level for Geelong. The forecasts also draw on broad retail industry trends evident in IBIS world and other industry publications.

These expenditure per capita forecasts are then combined with SGS small area population projections. SGS small area projections have been developed using a range of datasets and refined through engagement with council. Dwelling development is initially projected and then converted into population accounting for occupancy rates and household size.

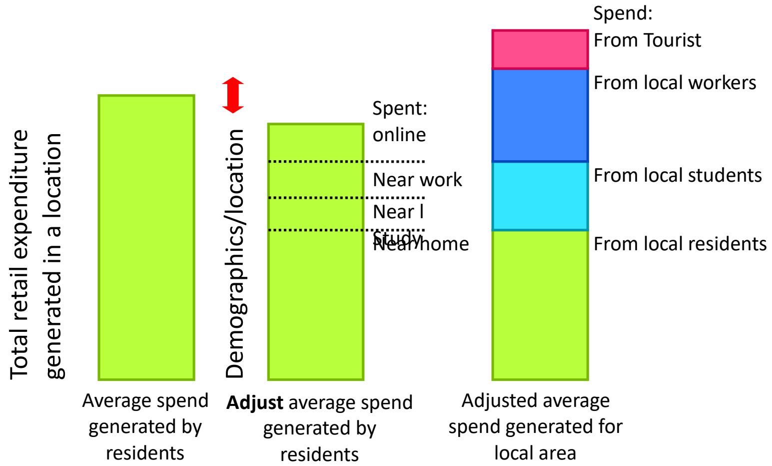
Sources of escape/capture of expenditure

The model also accounts for online, work-based, education-based and tourism-based expenditure locations. This is done at a broad level to capture overall leakage/capture of expenditure for the whole system and at a local level. For example, a university might have relatively few local residents but would have lots of students who would spend money locally. A CBD might have an even split between home-based, work-based and tourism based expenditure.

Basic studies will simply define a fixed escape/capture of expenditure (i.e. 10% escape). However, escape/capture of expenditure is a result of a number of behavioural characteristics which can be estimated. That is, while a large proportion of spending is in relation to place of residence, decisions based around online shopping, place of work and place of study and tourism are still significant and vary across commodities and location.

The following diagram illustrates the adjustments used to calculate a realistic average spend generated from a specific location.

FIGURE 22 LOCAL EXPENDITURE ESTIMATION



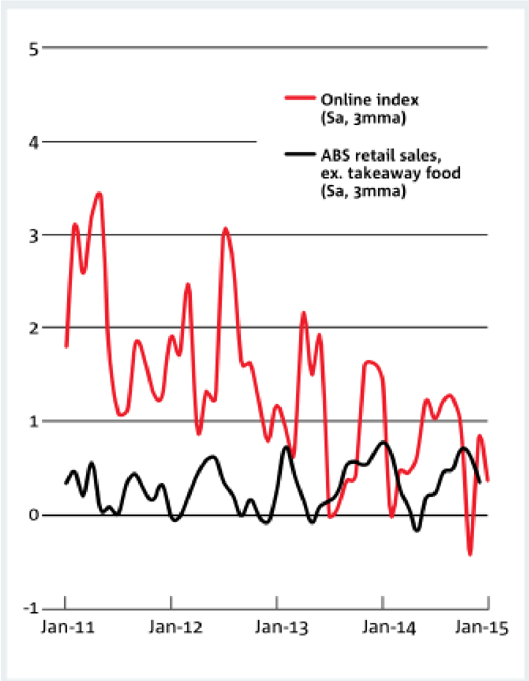
Source: SGS Economics and Planning

Online escape expenditure

SGS has sought to estimate the 'leakage' of expenditure based on online spending using research from the Productivity Commission[6] and other industry information.

While online retail growth is still strong it is slowing (see figure right). Consumer preferences continue to evolve and emerging trends (evident in 18 to 35 year olds) shows a focus on wanting an increasingly unique 'retail experience' rather than a homogenous product at the lowest price.

GROWTH IN ONLINE RETAIL VS ABS RETAIL SALES (MONTHLY, %)



Source: ABS Retail Trade, NAB Online Retail Sales Index

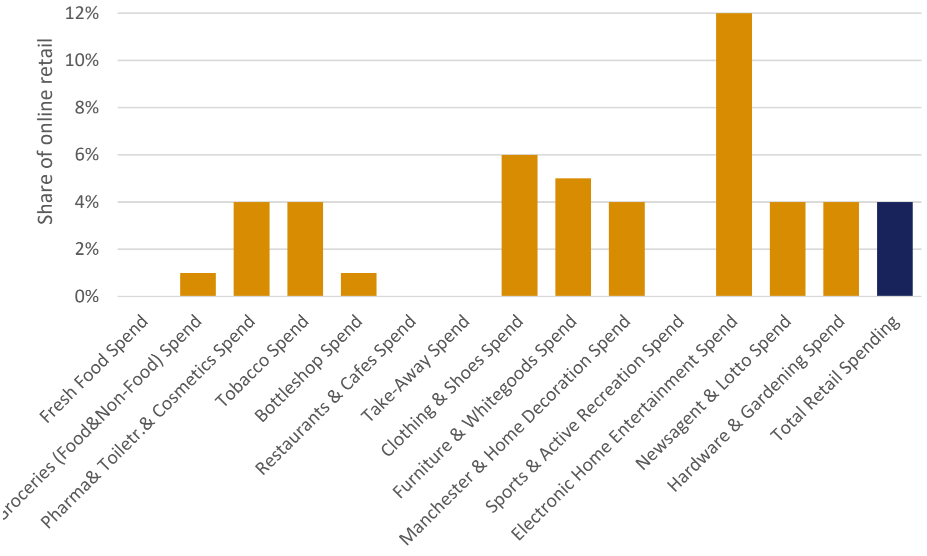
When online retailing first emerged it was initially seen as a direct competitor to store-based retailing. However, as highlighted earlier in the report, the primary shift now in the online retail space is to omni-channel retailing, where manufacturers and store based retailers have attempted to set up online shops. Increasingly, retailers will invest as much in their store front as their online presence and gain sales from both. This will increasingly blur the lines of 'online versus store' based expenditure and it will be unclear.

Given uncertainty about the future, SGS has not sought to estimate future trends in online retail. Rather, it has taken a conservative approach and assumed that 'leaked' shares remain fixed at the 2011 level.

The figure below shows the estimated shares by commodity group. Where possible, percentages for individual commodity groups have been sourced from the Productivity Commission. Perishable commodities are assumed to lose a negligible share of turnover to online retailing. For other non-perishable commodities, the overall online share of retail sales has been applied. It has been assumed that all online retailing expenditure is sourced from outside the catchment area.

[6] Productivity Commission, 'Economic Structure and Performance of the Australian Retail Industry', November 2011.

FIGURE 23 ONLINE RETAIL SHARES BY COMMODITY GROUP



Source: Productivity Commission, 2011.

Worker and student based escape/capture expenditure

Resident expenditure is further adjusted to account for retail spending of working and/or studying (tertiary) residents around their places of work and study respectively (which may be in/outside the region). This looks at the number of resident workers and resident students and compares that to the actual number of workers and students in the Geelong area. Overall there is a net inflow of both students and workers to the Geelong region.

The redistribution of expenditure is completed as follows:

- A proportion of resident spend is removed from each location based on expenditure behaviour studies regarding how much expenditure is typically spent near work or tertiary institutions. Broadly, this is 5 per cent for most commodity types and 25 per cent for hospitality (Restaurants, cafes and takeaway) spend. Allowances are made based on employment and enrolment rates (i.e. it is only applied to the working population not the whole population)
- The number of workers and tertiary students within Geelong is estimated from ABS Census – Place of work data. Adjustments are made to account for under counts in the Census data. State Department of Education institutional enrolment data is also sourced to determine the number of students located in Geelong.
- A spend per worker and tertiary student is then estimated based on task one but then scaled and distributed spatially based on the number of job and enrolments within the Geelong area.

Tourism capture of expenditure

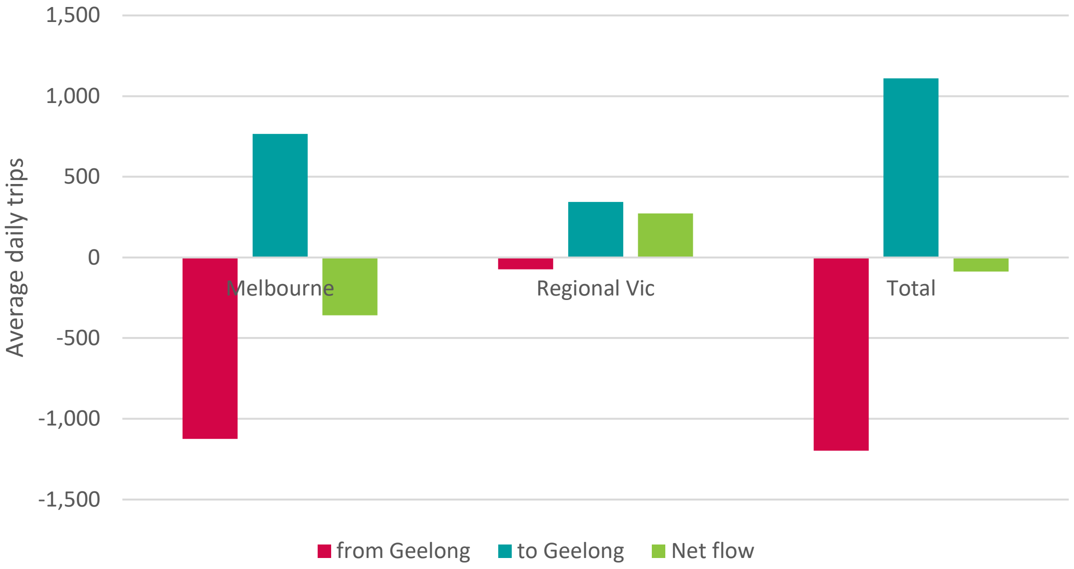
The final component of expenditure to be estimated is visitor expenditure. REMPLAN tourism data, provided by council, is used to estimate visitor numbers (incorporating domestic day, domestic overnight and international visitors) and expenditure patterns. Visitor projections are based on Victorian population growth, as the largest share of visitors are from within the state.

The total estimated tourism expenditure is distributed spatially based on arts, recreation and accommodation related employment as a proxy for tourism locations.

<u>Other forms of escape/capture of expenditure</u>
Beyond the major components of retail escape/capture of expenditure which are already factored into the gravity model (i.e. online, worker, student and tourism) there is still likely to be a small amount of retail expenditure flowing in/out of the system for other reasons. This could be a result of someone travelling up to Melbourne to do some shopping that is not linked to work, tourism or education.

Detailing information on scale of this aspect of escape expenditure is not available. However, analysis of the 2010-11 Victorian Integrated Survey of Travel and Activity (VISTA) suggests that the net flow (-87) *(retail trips out of Geelong less retail trips into Geelong)* represents less than 0.2% of all retail trips originating from Geelong (44,864) on an 'Average Day'. The following shows a breakdown of those retail trips that flow in out of Geelong on an average day. Given this, we have excluded this small aspect of escape expenditure from the analysis.

FIGURE 24 AVERAGE DAILY 'TO BUY SOMETHING' TRIPS, 2010-11



Source: VISTA 2010-11 – DTPLI

6 RETAIL SUPPLY ANALYSIS

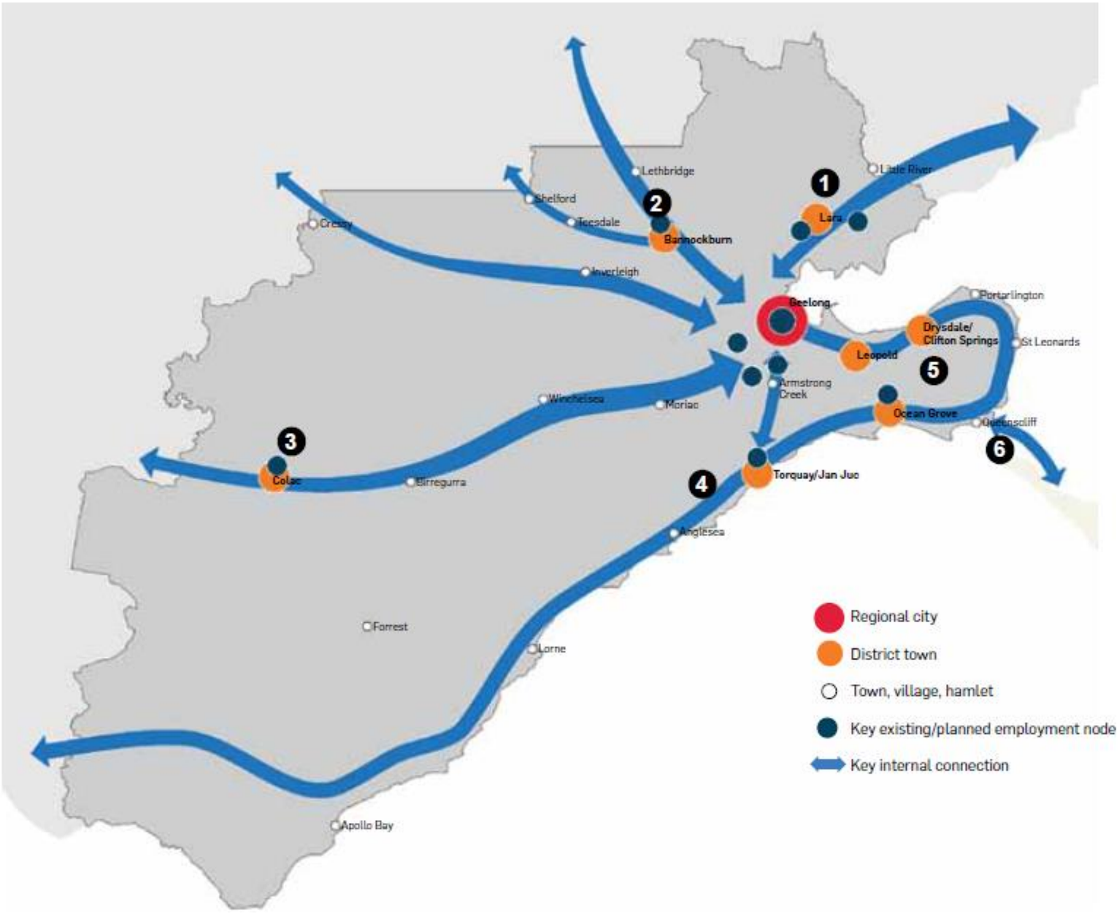
This section reports on the findings of the comprehensive floorspace audit undertaken across all Regional, Sub-Regional, Neighbourhood, Town and Homemaker Centres across Greater Geelong. It is also cognisant of planned centres which will be rolled out across the retail network up to 2031.

6.1 Greater Geelong strategic context

Greater Geelong operates within a broader regional context which should be considered when planning for future retail needs and assessing supply. Figure 25 presents this context as detailed in the G21 Regional Growth Plan. While this regional hierarchy and interconnections relate to the broader economy they hold for the retail sector.

Geelong is the regional 'capital' providing the broadest retail offer in the region. This attracts shoppers from surrounding towns and settlements particularly in the Bellarine Peninsula and along the Surf Coast.

FIGURE 25 GEELONG REGIONAL CONTEXT



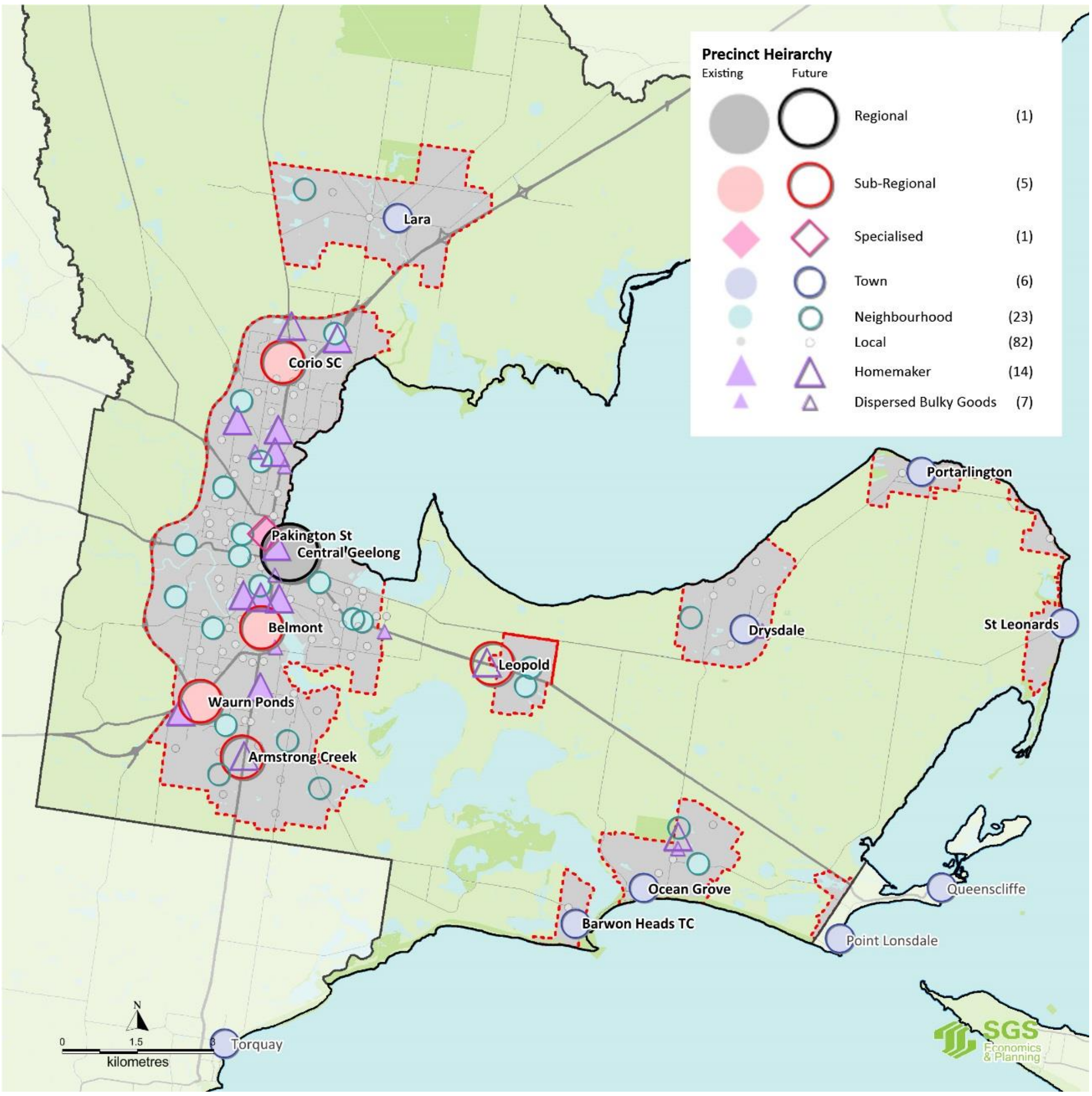
Source: G21 Regional Growth Plan

6.2 Greater Geelong retail hierarchy

Retail floorspace in Greater Geelong is spread across a number of defined centres and precincts. A retail centre hierarchy was originally defined in the 2006 Retail Strategy (detailed in Section 3). This hierarchy has since evolved in response to recent development activity and changes in future developments plans, such as the Armstrong Creek Growth Area.

Figure 26 presents the current retail centres structure for Greater Geelong which includes both existing and future retail centres. Table 1 provides a breakdown of the centres across Hierarchy, Figure 27 and Figure 28 focus on Geelong and the Bellarine Peninsula respectively.

FIGURE 26 RETAIL CENTRE HIERARCHY, GREATER GEELONG



Source: SGS Economics and Planning

Compared to the 2006 Retail Strategy a number of new centres have been established or elevated based on their current function or future requirements given revised development plans. SGS has also made some adjustments to the terminology and parameters in the previous 2006 strategy (shown in Section 3, Figure 8). These changes to the broad hierarchy definition include:

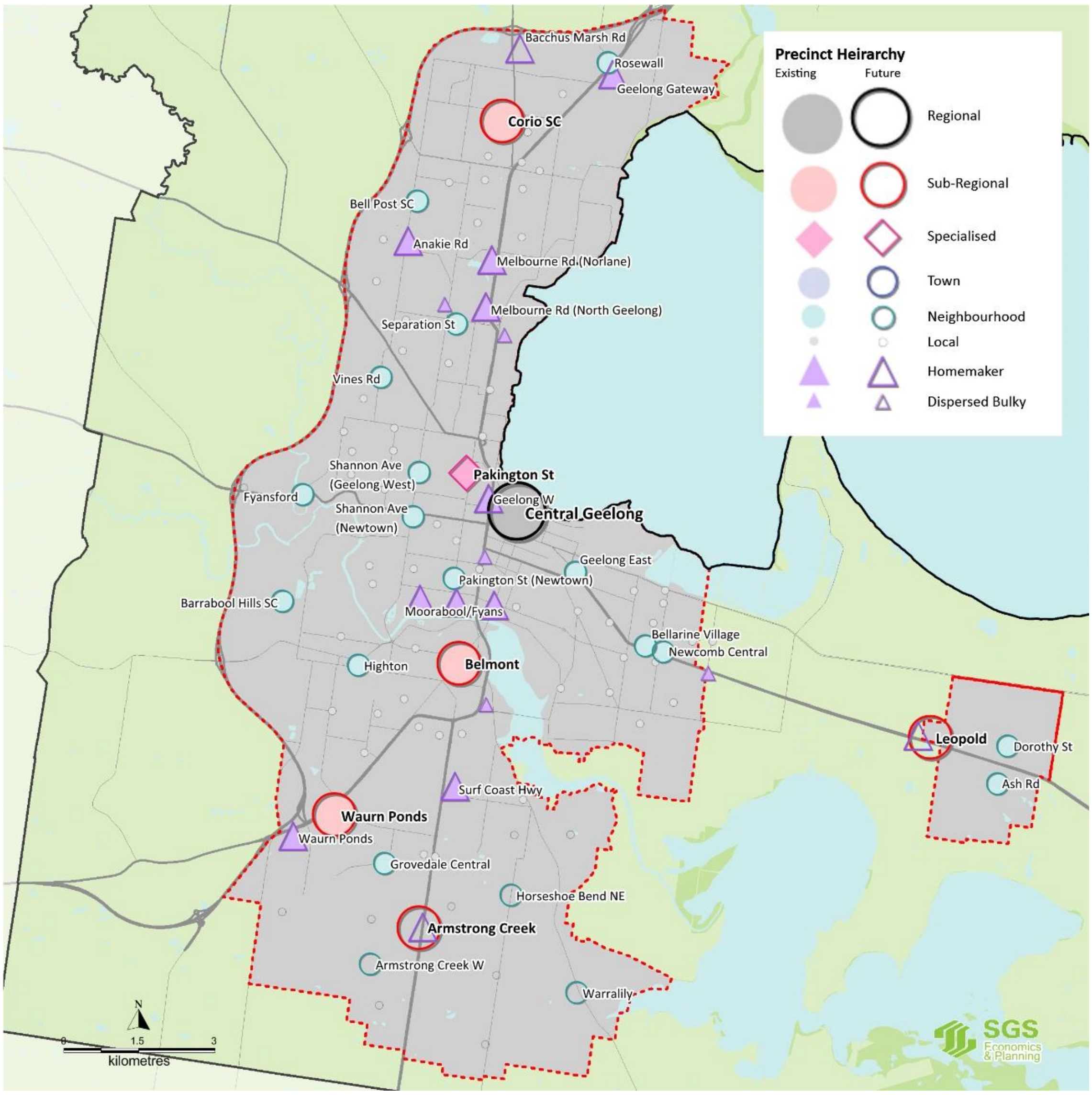
- Removal of the 'Community Centre' level. This does not appear to be particularly relevant to Geelong. The only centre which was put in this category in the 2006 strategy was Pakington Street (Geelong West). It gained this designation purely because of its concentration of niche traders and its hospitality offer. In SGS's view these characteristics merely qualify the Pakington Street as a '**Specialised**' centre and we have used this category label.
- Lifting the size range for **sub-regionals** to 60,000 m^2, to reflect the introduction of new retail formats since 2006. Leopold has also been defined as a (future) sub-regional centre and will act as the top of the Bellarine retail hierarchy.
- Showing '**Town Centres'** in the Greater Geelong context as a special form of Neighbourhood/Sub-regional Centre, featuring floorspace up to 20,000 m^2. The Town Centres serve residential districts outside the main urban footprint of Geelong itself. They are genuine focal points for their respective hinterland settlement and, in this sense, can be differentiated from Neighbourhood/Sub-regional Centres which are typically embedded in the Geelong urban area.
- Increasing the floorspace range for **Neighbourhood Centres** up to 15,000 m^2 (from 10,000 m^2), reflecting the actual situation in many of Greater Geelong's centres in this category.
- Recognising several additional **Neighbourhood Centres** to fill gaps amongst those listed in the 2006 Strategy.
- Recognising several additional **Homemaker Centres** to reflect actual development since the 2006 Retail Strategy.
- Acknowledging that incremental planning approvals have resulted in several collections of stores, or single stores, being established in distributed locations around the City, often in non-commercial zones, trading in lower density restricted retail commodities. In the hierarchy these are labelled '**Dispersed Bulky Goods locations**'. To a large extent, these centres are unplanned or 'opportunistic'. Their identification within the hierarchy does not necessarily imply validation in policy terms. These centres may or may not be suitable for future expansion or renewal.

TABLE 1 SUMMARY OF RETAIL CENTRE HIERARCHY, GREATER GEELONG

Centre Type	No. of Centres (Current/ Future)	Indicative retail Floorspace range	Centres/Examples
Regional	1	More than 100,000 sqm	Geelong CBD
Sub-Regional	4/5	15,000 to 60,000 sqm	Belmont, Waurn Ponds, Corio, Leopold, Armstrong Creek
Specialised	1	15,000 to 60,000 sqm	Pakington St (Geelong West)
Town	6	2,000 to 20,000 sqm	Ocean Grove, Drysdale, Lara, Barwon Heads, Portarlington, St Leonards
Neighbourhood	17/23	2,000 to 15,000 sqm	Separation St, Highton, Bell Post SC, …
Local	69/82	Up to 5,000 sqm	Alkira Ave, Donnybrook Rd, Charles St, …
Homemaker	11/14	5,000 to 50,000 sqm	Moorabool/Fyans, Waurn Ponds, Geelong Gateway, …
Dispersed Bulky Goods	7	-	Settlement Rd/Breakwater Rd, Bellarine Hwy (Newcomb), …

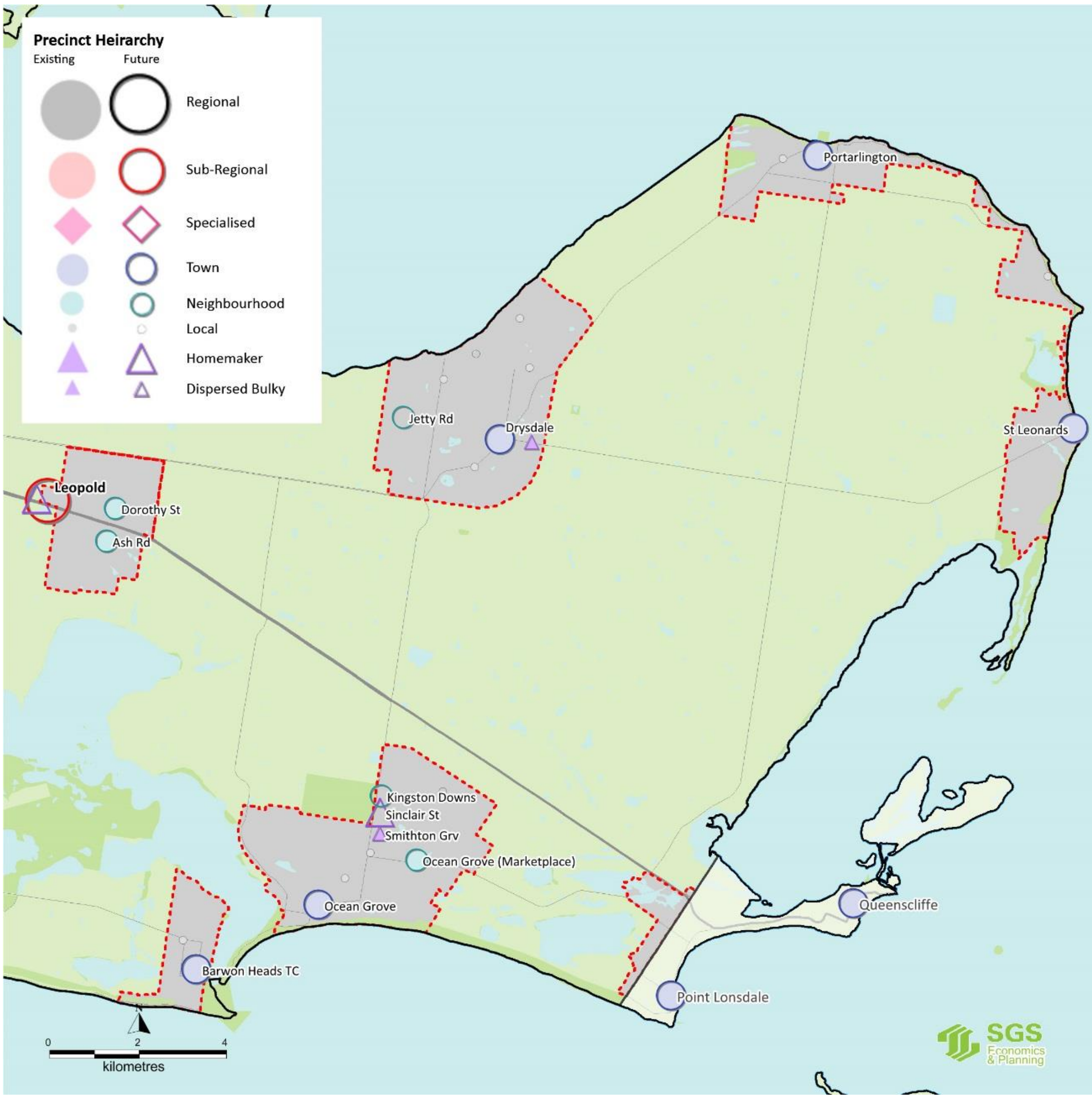
Source: SGS Economics and Planning

FIGURE 27 RETAIL CENTRE HIERARCHY, GEELONG



Source: SGS Economics and Planning

FIGURE 28 RETAIL CENTRE HIERARCHY, BELLARINE PENINSULA



Source: SGS Economics and Planning

6.1 Existing retail floorspace supply

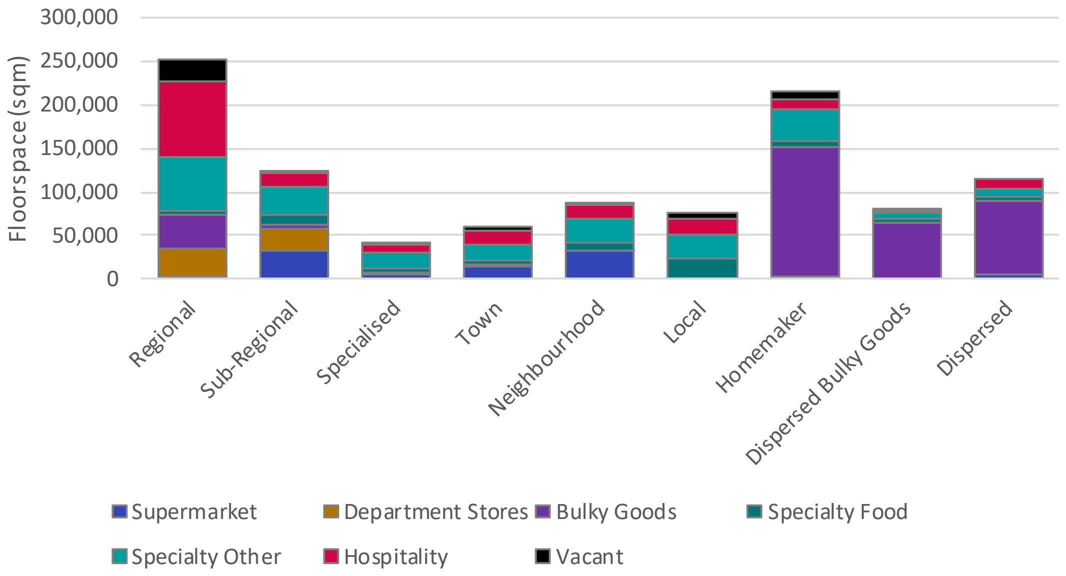
With this retail hierarchy structure in place the following section provides an analysis of the current retail floorspace across the system of centres. This will present a clear picture of the form and distribution of retail uses today to help inform what is needed in the future.

Summary of retail floorspace supply

Based on an extensive supply audit it is estimated that Greater Geelong has approximately 1,000,000 square metres of retail floorspace spread across 108 retail centres and other dispersed locations.

Figure 29 provides a high level breakdown of the retail floorspace by centre and store type. From this we can see retail floorspace is evenly distributed down the various levels in the hierarchy.

FIGURE 29 RETAIL FLOORSPACE SUPPLY, BY CENTRE AND STORE TYPE, 2015



Source: SGS Economics and Planning

Several important findings can be drawn from this overall summary of Greater Geelong's retail floorspace:

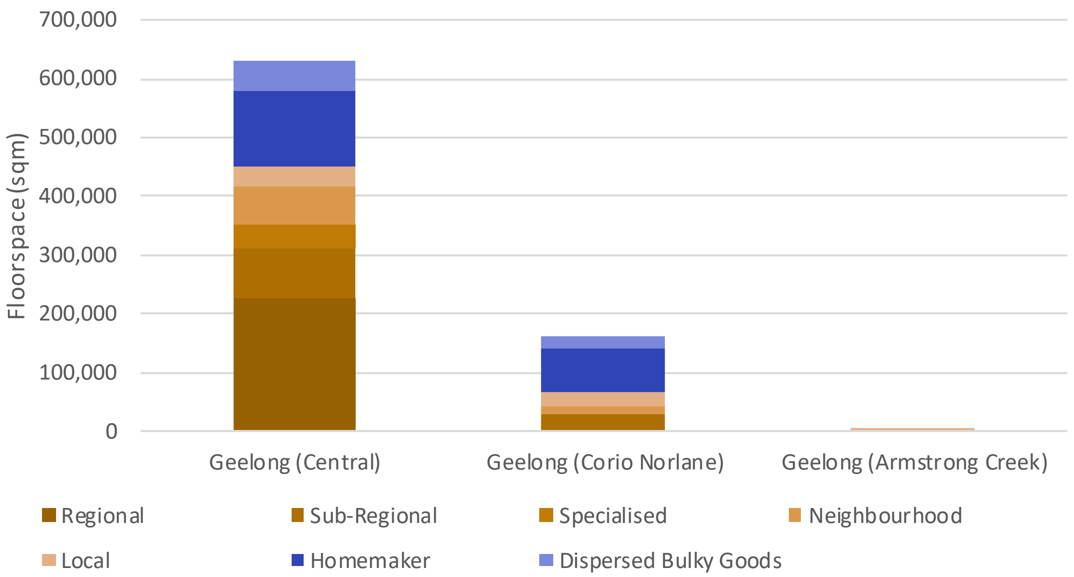
- The **Regional Centre** (Geelong CBD) represents approximately one quarter of all retail floorspace. This is spread across two shopping centres (Westfield Geelong and Market Square Geelong) and the overall precinct is somewhat fragmented with three largely self-contained areas (Westfield, Waterfront, Downtown).
- Across all centres **Supermarkets** represent 9 per cent of retail floorspace (15 per cent if bulky goods retailing is excluded). This is highest amongst Neighbourhood centres (36 per cent) where supermarkets represent the core local convenience anchor of these centres. On the other hand weekly (Supermarkets) and daily (Convenience Stores) grocery needs are largely met across the suburbs in Neighbourhood Centres and Local Centres. Town Centres across the Bellarine Peninsula and Lara play the role of a larger Neighbourhood Centres. The key to these centres is the extent to which specialty stores (both food and merchandise) can thrive. Supermarkets have been, and always will perform well, but often their contribution to a centre stops at simply attracting shoppers to the centre itself. This is where centres need to diversify their offer. This requires a strong understanding of their local neighbourhood – and what mix of products and services would actually sell well.
- Discount **Department Stores** are confined to Sub-Regional Centres (as well as a Department Store in Central Geelong). Combined they represent 6 per cent of retail floorspace. Whilst our modelling

has demonstrated that centres such as Corio and Waurn Ponds attract significant trade from large trade areas, their DDS anchors are beginning to struggle with the economic troubles and the presence of online retail channels. There has been a trend for Targets and KMarts to build mini-majors in new suburban malls in Victoria – and unless DDS stores become more profitable this could be the future model for their stores in the Sub-Regional Centres too.

- **Specialty Shops and Hospitality** have a strong presence in Central Geelong. This suggests that residents' shopping trips to the CBD are driven by the purchase of apparel goods, the experience of cafes/bars and restaurants along with work related spending.
- **Homemaker Centres** represents the second largest amount of floorspace (20 per cent). This is largely comprised of bulky goods retailing which inherently requires larger floorplates. Therefore, this high share would not be as significant in terms of turnover or share of local expenditure.
- Within homemaker centres 30 per cent of the floorspace is classified as **non-bulky retailing**. This is largely speciality (other) which is essentially non-food based speciality shops.
- 19 per cent of retail floorspace is located in **dispersed locations**, either '*dispersed bulky goods* location or more general *dispersed areas*. This dispersed retail is predominately bulky goods retailing (77 per cent).
- Across all centres 5 per cent of floorspace was identified as **vacant**. This was highest in the Regional Centre at 10 per cent and lowest in the Sub-Regional centres at 1 per cent.

Figure 30 and Figure 31 provides a breakdown of total retail floorspace by sub-region[7]. Figure 32 maps retail floorspace by centre and store type to further illustrate the spatial distribution of retail provision across the municipality. 70 per cent of current retail floorspace is contained within the Geelong (Central) region with a further 20 per cent within the Geelong (Corio/Norlane) sub-region. The remaining 10 per cent is spread across the various settlements with Ocean Grove currently having the most floor space.

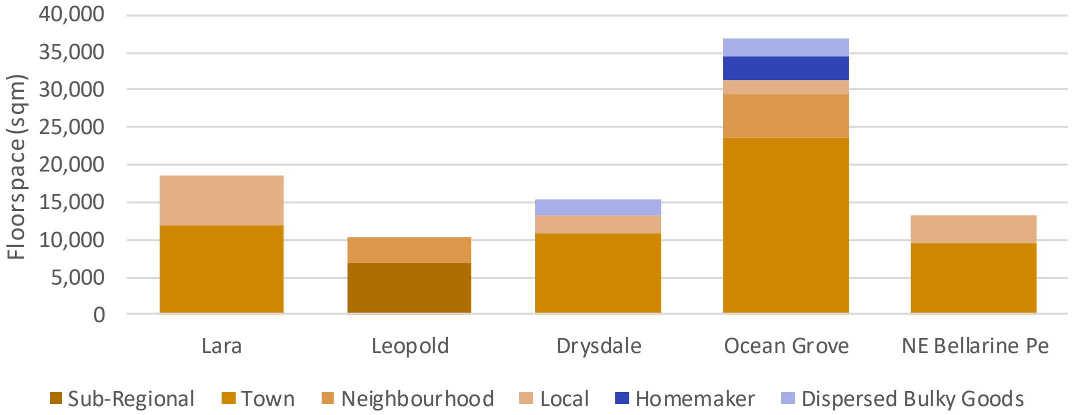
FIGURE 30 TOTAL RETAIL FLOORSPACE SUPPLY, CENTRE TYPE, GEELONG, 2015



Source: SGS Economics and Planning

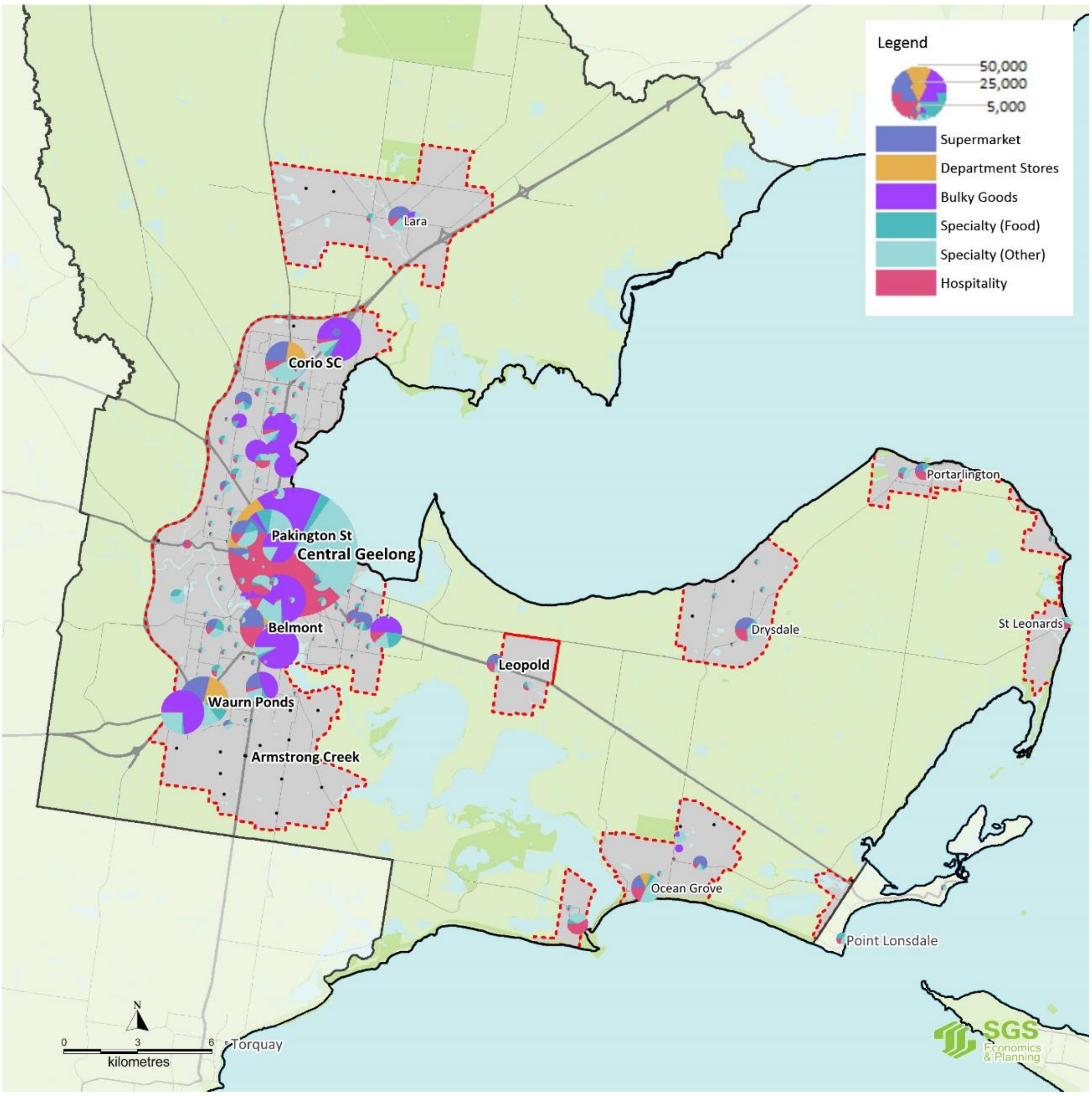
[7] Sub-regions definitions are mapped in section 1.4

FIGURE 31 RETAIL FLOORSPACE SUPPLY, CENTRE TYPE, SETTLEMENTS, 2015



Source: SGS Economics and Planning

FIGURE 32 RETAIL FLOORSPACE SUPPLY, BY CENTRE AND STORE TYPE, 2015



Source: SGS Economics and Planning

Existing floorspace supply by individual centre

Table 2 presents a detailed breakdown of current retail floorspace provision by individual centre. Future centres (currently with no floorspace) have been included and highlighted in light green. Homemaker centres have been highlighted in blue.

TABLE 2 RETAIL FLOORSPACE SUPPLY, BY CENTRE AND STORE TYPE, 2015

Precinct	Supermarket	Department Stores	Bulky Goods	Specialty Food	Specialty Other	Hospitality	Total Retail
Regional	2,500	32,900	37,400	6,100	62,000	85,900	226,900
Central Geelong	2,500	32,900	37,400	6,100	62,000	85,900	226,900
Sub-Regional	33,500	23,900	4,200	12,000	32,500	16,000	122,200
Belmont	9,600	6,100	4,200	5,300	10,100	7,300	42,600
Waurn Ponds	12,500	11,600	-	3,400	10,600	4,700	42,800
Corio SC	8,400	6,200	-	2,200	10,700	2,500	29,900
Leopold	3,000	-	-	1,100	1,100	1,600	6,900
Armstrong Creek	-	-	-	-	-	-	-
Specialised	5,100	-	1,800	4,400	19,000	10,400	40,700
Pakington St	5,100	-	1,800	4,400	19,000	10,400	40,700
Town	15,000	1,800	-	4,200	18,800	16,200	56,100
Ocean Grove	2,700	1,800	-	900	6,700	2,800	15,000
Drysdale	4,000	-	-	700	3,300	2,900	10,900
Lara	5,500	-	-	1,200	3,600	1,600	11,900
Barwon Heads	400	-	-	300	3,000	5,000	8,700
Portarlington	1,400	-	-	1,000	1,100	2,800	6,400
St Leonards	1,000	-	-	-	1,000	1,100	3,200
Neighbourhood	31,900	-	300	10,000	26,800	17,300	86,300
Shannon Ave (Geelong West)	4,300	-	-	1,700	4,900	2,000	12,900
Separation St	-	-	-	900	1,900	2,800	5,600
Pakington St (Newtown)	-	-	-	400	4,500	3,300	8,300
Highton	2,200	-	-	1,700	2,100	1,000	7,000
Newcomb Central	4,700	-	-	600	1,200	300	6,800
Geelong East	600	-	-	500	4,300	500	5,900
Bellarine Village	3,900	-	-	1,400	800	800	6,900
Bell Post SC	3,400	-	-	700	1,200	500	5,800
Barrabool Hills SC	3,200	-	-	100	400	200	3,800
Shannon Ave (Newtown)	2,000	-	-	200	700	1,600	4,500
Ocean Grove (Marketplace)	3,500	-	-	500	800	900	5,700
Vines Rd	900	-	-	400	1,400	500	3,100
Fyansford	-	-	300	-	-	2,100	2,300
Grovedale Central	900	-	-	400	1,100	200	2,500
Dorothy St	600	-	-	-	900	300	1,800
Ash Rd	-	-	-	400	700	500	1,600
Rosewall	1,700	-	-	-	-	-	1,700
Jetty Rd	-	-	-	-	-	-	-
Warralily	-	-	-	-	-	-	-
Lara W	-	-	-	-	-	-	-
Armstrong Creek W	-	-	-	-	-	-	-
Horseshoe Bend NE	-	-	-	-	-	-	-
Kingston Downs	-	-	-	-	-	-	-
Local	-	-	1,900	21,600	28,200	17,900	69,500

Precinct	Supermarket	Department Stores	Bulky Goods	Specialty Food	Specialty Other	Hospitality	Total Retail
Homemaker	3,900	-	148,500	5,900	37,800	10,300	206,400
Moorabool/Fyans (Moorabool St)	-	-	31,300	400	7,100	3,600	42,500
Moorabool/Fyans (West Fyans St)	-	-	7,900	-	3,100	2,300	13,300
Moorabool/Fyans (Gregory Ave)	-	-	1,700	-	700	100	2,500
Surf Coast Hwy	3,900	-	8,200	1,400	3,600	900	18,000
Geelong Gateway	-	-	26,000	1,500	2,800	1,100	31,500
Geelong W	-	-	16,700	100	3,400	100	20,300
Waurn Ponds	-	-	23,500	500	7,600	200	31,900
Melbourne Rd (Norlane)	-	-	18,900	1,100	2,300	1,200	23,500
Melbourne Rd (North Geelong)	-	-	9,100	-	4,800	400	14,300
Sinclair St	-	-	700	-	2,400	-	3,200
Anakie Rd	-	-	4,500	800	-	200	5,500
Bacchus Marsh Rd	-	-	-	-	-	-	-
Leopold Central	-	-	-	-	-	-	-
Armstrong Creek	-	-	-	-	-	-	-
Dispersed Bulky Goods	-	-	65,500	4,600	5,800	2,600	78,500
Dispersed	5,400	0	84,500	4,200	10,600	10,700	115,300
Total audited Floorspace	**97,300**	**58,600**	**344,100**	**72,900**	**241,600**	**187,300**	**1,001,800**

Source: SGS Economics and Planning

Comparison of current floorspace with 2006 Retail Strategy

Figure 33 compares the currently estimated retail floorspace for selected centres with the 2006 strategy completed by Essential Economics. It should be noted that these numbers **cannot be directly compared** as they use different approaches and definitions.

However, at a broad level some trends seem evident from the comparison. There has been significant floorspace expansion across most Homemaker Centres. This has largely been due to population growth in Greenfield areas and transitioning of ex-industrial land to other uses.

FIGURE 33 FLOORSPACE COMPARISON 2006 TO 2015 RETAIL STUDIES

Precinct	2006 EE Study	2015 SGS Study	Difference	Comments
Regional				
Central Geelong	101,900	226,900	125,000	Different geographic definitions
Sub-Regional				
Belmont	30,700	42,600	11,900	
Waurn Ponds	14,700	42,800	28,100	
Corio SC	29,500	29,900	400	
No data in 2006 study for Leopold				
Specialised				
Pakington St	21,230	40,700	19,470	
Town				
Ocean Grove	9,830	15,000	5,170	
Drysdale	7,460	10,900	3,440	
Lara	4,080	11,900	7,820	
Barwon Heads	3,510	8,700	5,190	
No data in 2006 study for Portarlington and St Leonards				
Neighbourhood				
Shannon Ave (Geelong West)	7,110	12,900	5,790	
Pakington St (Newtown)	7,500	8,300	800	
Highton	6,190	7,000	810	
Newcomb Central	4,900	6,800	1,900	
Bellarine Village	4,800	6,900	2,100	
Bell Post SC	4,600	5,800	1,200	
Shannon Ave (Newtown)	4,100	4,500	400	
Ocean Grove (Marketplace)	5,300	5,700	400	
No data in 2006 study for Separation St, Geelong East, Barrabool Hills SC, Vines Rd, Fyansford, Grovedale Central, Dorothy St, Ash Rd, Rosewall				
Homemaker				
Moorabool/Fyans (Moorabol St)	-	42,500	50,400	Defined as one centre in 2008 Study
Moorabool/Fyans (West Fyans St)	-	13,300		
Moorabool/Fyans (Gregory Ave)	7,900	2,500		
Geelong Gateway	10,800	31,500	20,700	
Geelong W	6,300	20,300	14,000	
Waurn Ponds	26,300	31,900	5,600	
Melbourne Rd (Norlane)	-	23,500	21,200	Defined as one centre in 2008 Study
Melbourne Rd (North Geelong)	16,600	14,300		
No data in 2006 study for Sinclair St, Surf Coast Hwy, Anakie Rd				

Source: SGS Economics and Planning and Essential Economics 2006 Retail Strategy

6.2 Centre catchments

Catchment areas have been mapped for all significant centres across Greater Geelong (Figure 34 to Figure 36). The lines map the Primary Trade Area (PTA) for the respective centre (detailed maps of individual centres are available in the Appendix). Note that areas which do not fall under any centre's Primary Trade Area is a 'contested' area where home based expenditure is (relatively) evenly distributed amongst multiple centres. This does not necessarily mean there is an undersupply of retail floorspace in that area – indeed in some cases, it is due to significant competition between multiple centres.

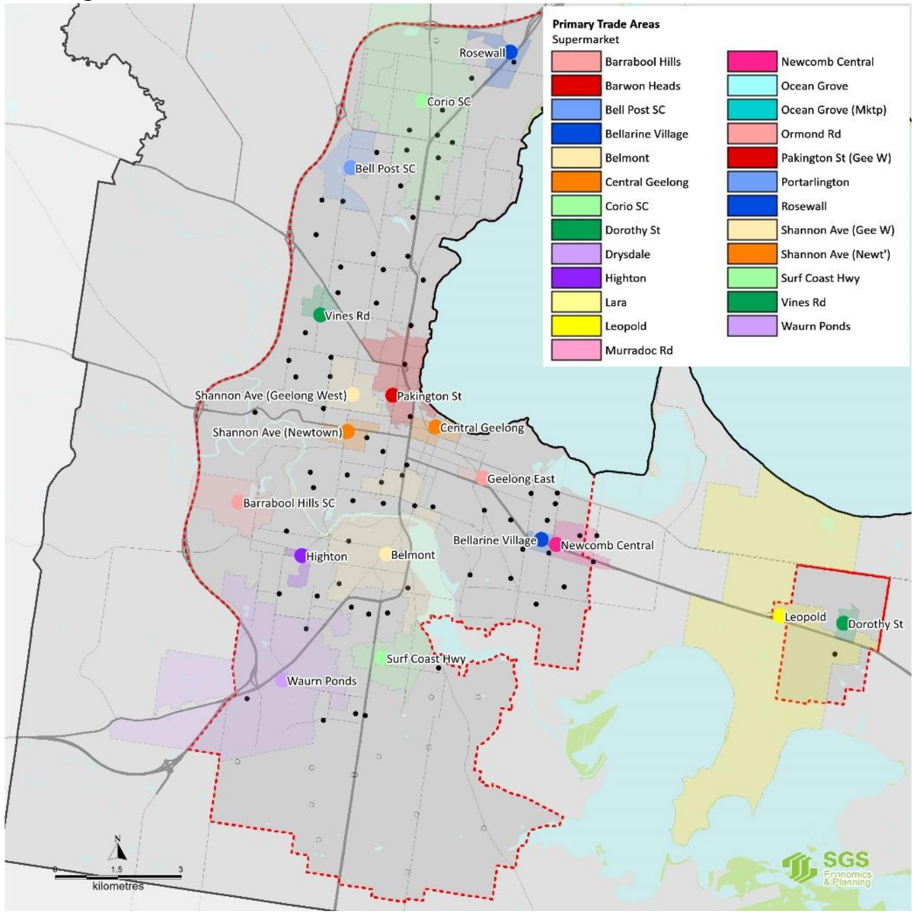
Due to the car-oriented nature of shopping trips in Greater Geelong, catchment areas are largely defined with the use of road-based Travel Time calculations (along with the relative attractiveness of each centre).

The maps indicate that the most dominant centres across the retail network are Belmont, Waurn Ponds and Corio – which is unsurprising, given each contains Discount Department Stores, multiple supermarkets and a much larger provision of specialty shops than that observed in other Sub-regional Centres in Regional Victoria.

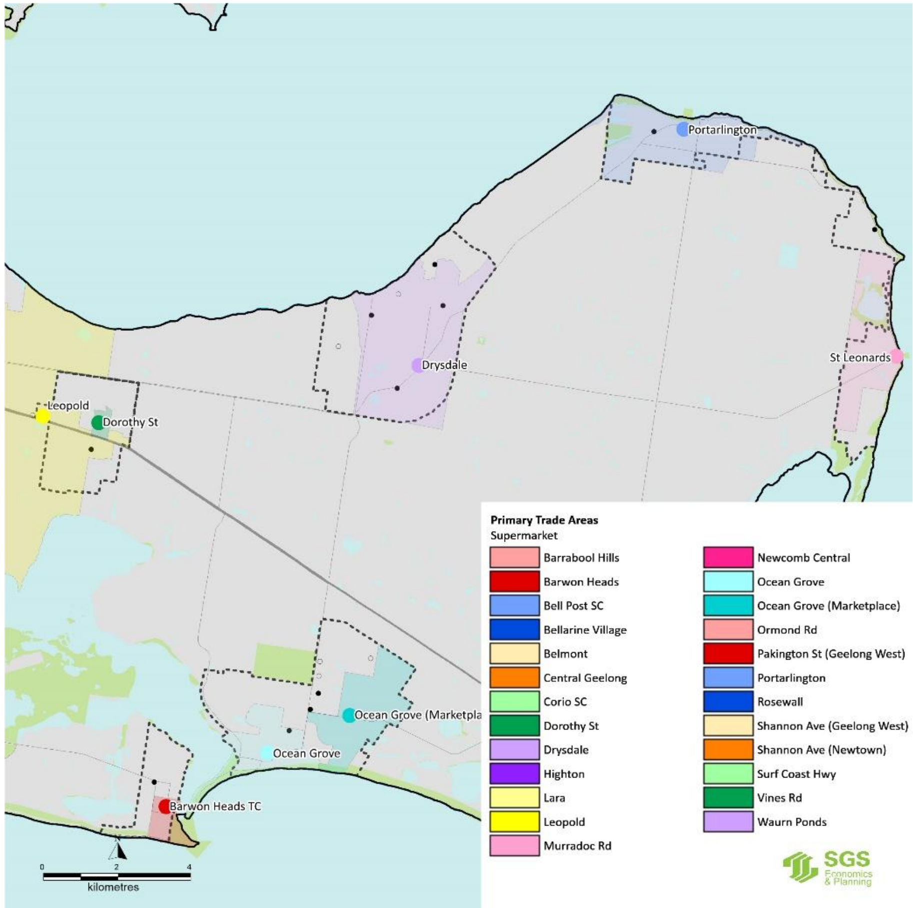
The catchment areas of Neighbourhood Centres are more localised, and Central Geelong is only capturing a small share (typically no more than 10% to 20% for people residing within the catchment of another centre) than could be the case if the retail offer was stronger. Note that competition from other centres also plays some role.

FIGURE 34 CENTRE PRIMARY CATCHMENTS – SUPERMARKETS

Geelong



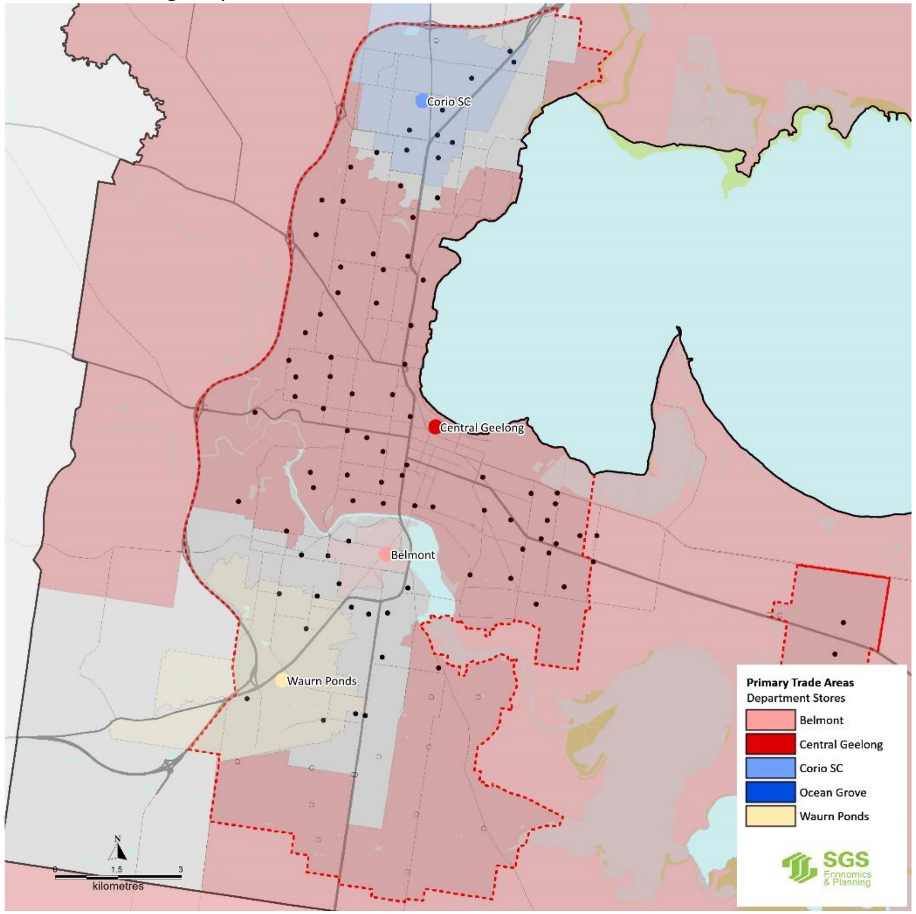
Bellarine Peninsula



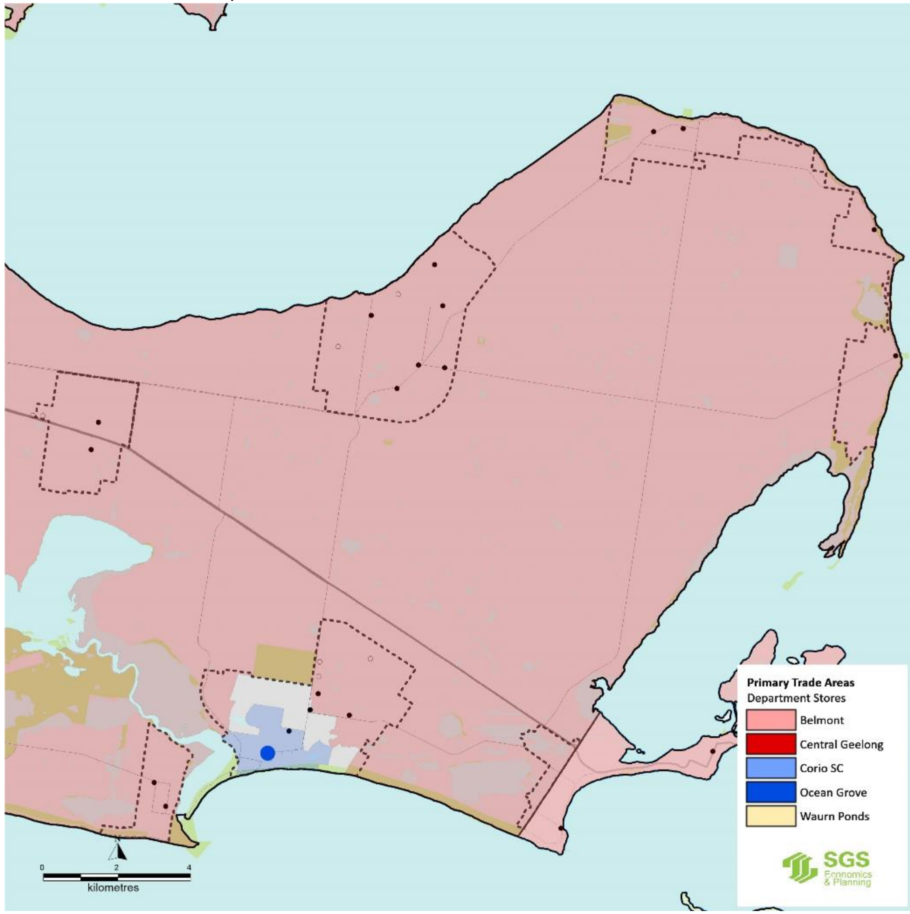
Source: SGS Economics and Planning

FIGURE 35 CENTRE PRIMARY CATCHMENTS – DISCOUNT DEPARTMENT STORES

Central Geelong only



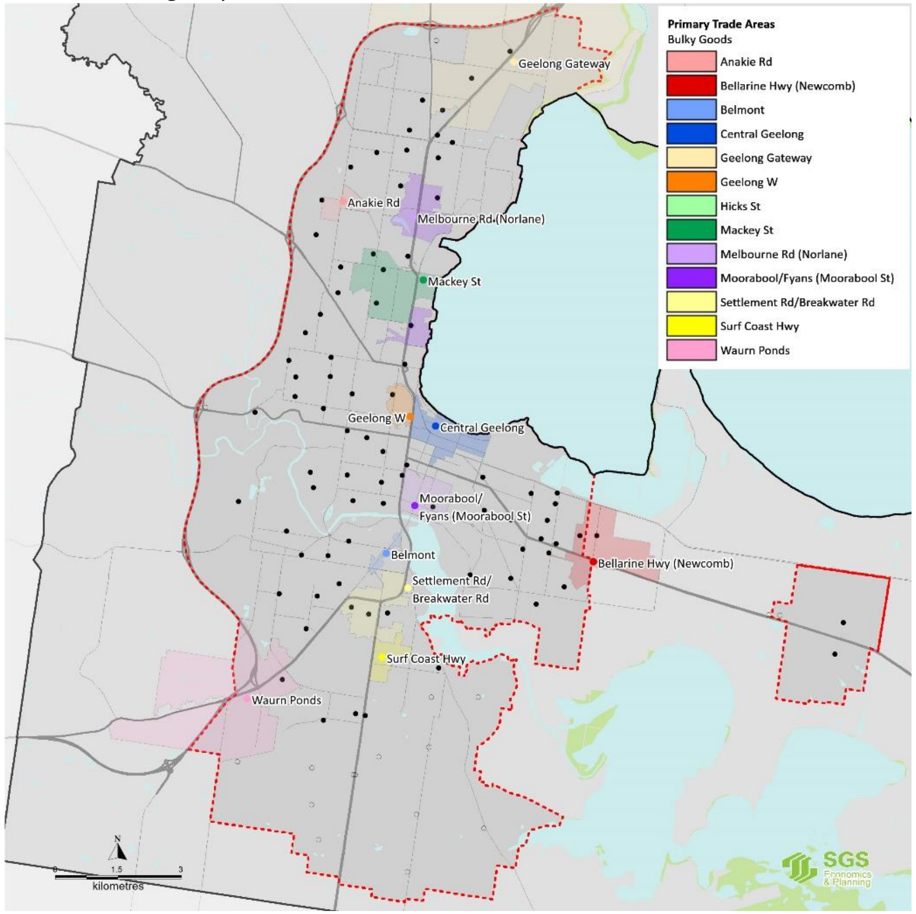
All other discount department stores



Source: SGS Economics and Planning

FIGURE 36 CENTRE PRIMARY CATCHMENTS - BULKY GOODS

Central Geelong only



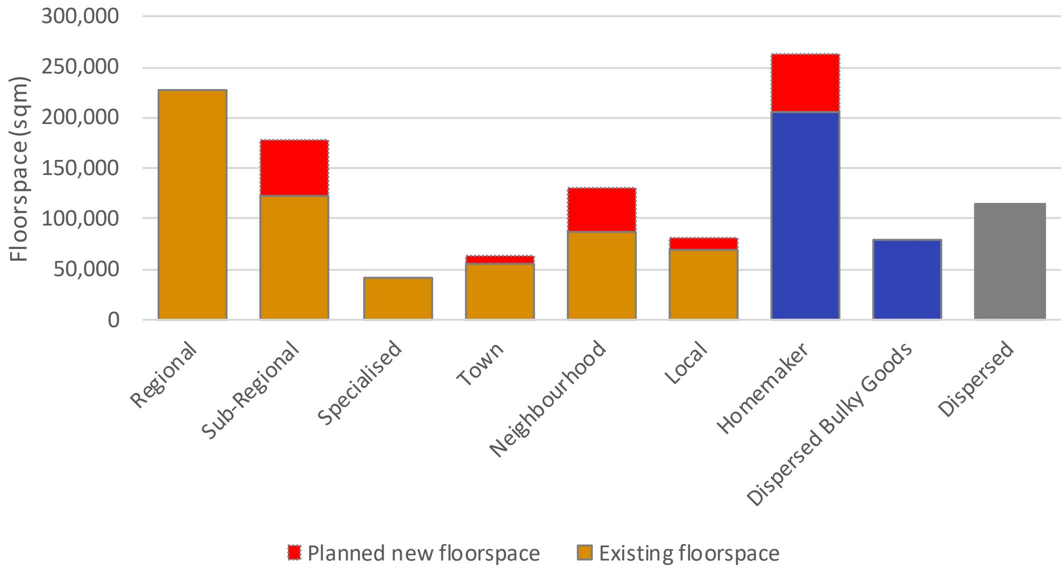
Source: SGS Economics and Planning

6.3 Planned floorspace (2014 to 2031)

Over the next 20 years, significant dwelling and population growth is expected to occur across Greater Geelong. This will in turn drive demand for more retail floorspace to be developed in infill and greenfield locations across the municipality. Council has to date already planned for much of this growth, with Armstrong Creek, Leopold, Drysdale and many other locations all expected to accommodate more retail floorspace. In total, Greater Geelong has current plans for an additional 173,000 sqm of retail floorspace. A summary of this new floorspace by centre type is presented in Figure 37. Table 3 provides a detailed breakdown of this new floorspace by individual centre.

30 per cent is planned for two sub regional centres - largely establishment of the new Armstrong Creek sub-regional centre and the expansion of the Leopold centres to elevate it to a sub-regional centre. Another 30 per cent planned within three new homemaker centres at Armstrong Creek, Drysdale and Bacchus Marsh Rd (in Corio). The remainder is spread across a number of new and existing Town, Neighbourhood and Local centres.

FIGURE 37 PLANNED FUTURE FLOORSPACE, BY CENTRE TYPE, AT 2030



Source: SGS Economics and Planning from Council consultation

Avalon Airport

The Avalon Airport Masterplan and the Special Use Zone Schedule includes provision for retailing on the airport site with an as of right allowance for retail premises up to 110,000 square metres including up to 55,000 square metres for shop uses. The development of **retail uses on the Avalon Airport site has been excluded from this retail strategy** as the Avalon Airport Masterplan is yet to be considered by the Federal Government as is required under the terms of the airport lease.

Future reviews of the retail strategy will need to consider the future development of retailing at Avalon Airport and the implications on local supply.

TABLE 3 PLANNED CENTRE EXPANSIONS AND NEW DEVELOPMENTS

Precinct	Change in Hierarchy	Timing	Status	Existing Floorspace	Additional Floorspace	Supermarket	Department Stores	Bulky Goods	Specialty	Total Retail
Regional				226,900	0	2,500	32,900	37,400	154,000	226,900
Central Geelong	-	-	-	226,900	-	2,500	32,900	37,400	154,000	226,900
Sub-Regional				122,200	56,100	42,000	47,400	4,200	84,600	178,300
Belmont	-	-	-	42,600	-	9,600	6,100	4,200	22,600	42,600
Waurn Ponds	-	-	-	42,800	-	12,500	11,600	-	18,600	42,800
Corio SC	-	-	-	29,900	-	8,400	6,200	-	15,400	29,900
Leopold	Proposed expansion from Town to Sub Regional	2018	Planned	6,900	16,100	4,600	5,500	-	12,900	23,000
Armstrong Creek	New Sub Regional centre	S1 - 2020 S2 - 2030	Planned	-	40,000	7,000	18,000	-	15,000	40,000
Specialised				40,700	-	5,100	-	1,800	33,900	40,700
Pakington St	-	-	-	40,700	-	5,100	-	1,800	33,900	40,700
Town				56,100	6,200	18,900	1,800	1,100	40,500	62,300
Ocean Grove	-	-	-	15,000	-	2,700	1,800	-	10,400	15,000
Drysdale	Proposed expansion of Town Centre	2017	Permit app w Council	10,900	6,200	7,800	-	1,100	8,200	17,100
Lara	-	-	-	11,900	-	5,500	-	-	6,400	11,900
Barwon Heads	-	-	-	8,700	-	400	-	-	8,300	8,700
Portarlington	-	-	-	6,400	-	1,400	-	-	5,000	6,400
St Leonards	-	-	-	3,200	-	1,000	-	-	2,200	3,200
Neighbourhood				86,300	43,900	57,900	-	300	72,100	130,200
Shannon Ave (Geelong West)	-	-	-	12,900	-	4,300	-	-	8,600	12,900

Precinct	Change in Hierarchy	Timing	Status	Existing Floorspace	Additional Floorspace	Supermarket	Department Stores	Bulky Goods	Specialty	Total Retail
Separation St	-	-	-	5,600	-	-	-	-	5,600	5,600
Pakington St (Newtown)	-	-	-	8,300	-	-	-	-	8,300	8,300
Highton	-	-	-	7,000	-	2,200	-	-	4,800	7,000
Newcomb Central	-	-	-	6,800	-	4,700	-	-	2,100	6,800
Geelong East	-	-	-	5,900	-	600	-	-	5,300	5,900
Bellarine Village	-	-	-	6,900	-	3,900	-	-	3,100	6,900
Bell Post SC	-	-	-	5,800	-	3,400	-	-	2,400	5,800
Barrabool Hills SC	-	-	-	3,800	-	3,200	-	-	600	3,800
Shannon Ave (Newtown)	-	-	-	4,500	-	2,000	-	-	2,500	4,500
Ocean Grove (Marketplace)	No change	2020	Planned	5,700	1,500	4,300	-	-	2,900	7,200
Vines Rd	-	-	-	3,100	-	900	-	-	2,200	3,100
Fyansford	New Neighbourhood	2020	Approved	2,300	9,500	3,700	-	300	7,900	11,800
Grovedale Central	-	-	-	2,500	-	900	-	-	1,600	2,500
Dorothy St	-	-	-	1,800	-	600	-	-	1,200	1,800
Ash Rd	-	-	-	1,600	-	-	-	-	1,600	1,600
Rosewall	New Neighbourhood	2020	Planned	1,700	1,100	1,700	-	-	1,100	2,800
Jetty Rd	New Neighbourhood	2020	Planned	-	6,500	3,000	-	-	3,500	6,500
Warralily	New Neighbourhood	S1 - 2017 S2 - 2030	Permit app w Council	-	6,000	4,500	-	-	1,500	6,000
Lara W	New Neighbourhood	2020	Planned	-	4,700	3,700	-	-	1,000	4,700
Armstrong Creek W	New Neighbourhood	2022	Planned	-	3,000	3,000	-	-	-	3,000
Horseshoe Bend NE	New Neighbourhood	2030	Planned	-	7,000	3,700	-	-	3,300	7,000
Kingston Downs	New Neighbourhood	2018	Planned	-	4,700	3,700	-	-	1,000	4,700

Precinct	Change in Hierarchy	Timing	Status	Existing Floorspace	Additional Floorspace	Supermarket	Department Stores	Bulky Goods	Specialty	Total Retail
Local	10 New Locals		Planned	69,500	11,800	-	-	1,900	79,400	81,300
Homemaker				206,400	55,800	3,900	-	204,300	54,000	262,200
Moorabool/Fyans (Moorabool St)	-	-	-	42,500	-	-	-	31,300	11,200	42,500
Moorabool/Fyans (West Fyans St)	-	-	-	13,300	-	-	-	7,900	5,400	13,300
Moorabool/Fyans (Gregory Ave)	-	-	-	2,500	15,500	3,900	-	8,200	5,900	18,000
Surf Coast Hwy	-	-	-	18,000	13,500	-	-	26,000	5,400	31,500
Geelong Gateway	-	-	-	31,500	-11,200	-	-	16,700	3,700	20,300
Geelong W	-	-	-	20,300	11,600	-	-	23,500	8,400	31,900
Waurn Ponds	-	-	-	31,900	-29,400	-	-	1,700	800	2,500
Melbourne Rd (Norlane)	-	-	-	23,500	-	-	-	18,900	4,600	23,500
Melbourne Rd (North Geelong)	-	-	-	14,300	-	-	-	9,100	5,200	14,300
Sinclair St	-	-	-	3,200	-	-	-	700	2,400	3,200
Anakie Rd	-	-	-	5,500	-	-	-	4,500	1,000	5,500
Bacchus Marsh Rd	New Homemaker Centre	2020	Approved	-	18,500	-	-	18,500	-	18,500
Leopold Central	New Homemaker Centre adjoining Sub Regional	2018	Planned	-	12,300	-	-	12,300	-	12,300
Armstrong Creek	New Homemaker Centre adjoining Sub Regional	S1 - 2020 S2 - 2030	Planned	-	25,000	-	-	25,000	-	25,000
Dispersed Bulky Goods				78,500	-	-	-	65,500	13,000	78,500
Dispersed				115,300	-	5,400	-	84,500	25,500	115,300
Total audited Floorspace				**1,001,800**	**173,900**	**135,700**	**82,100**	**401,000**	**556,900**	**1,175,700**

Source: SGS Economics and Planning from Council consultation

7 DEMAND ANALYSIS

This section reports on forecast needs for future retail floorspace in Greater Geelong, based on population trends and the wider forces shaping the retail and the service sectors.

7.1 Population growth

Greater Geelong is projected to experience significant population growth over the next 15 years with an average annual growth rate of 1.6 per annum. In particular, the growth area of Armstrong Creek is expected to experience considerable residential expansion, reaching a population of 28,500 by 2031. This represents 36 per cent of Greater Geelong's growth over that period.

A further 36 per cent of population growth will be spread across the surrounding settlements around Geelong. Lara and Drysdale will experience the largest increase in population followed by Leopold and Ocean Grove. By 2031 Ocean Grove and Lara will have the same size populations and be the two largest settlements outside Geelong.

TABLE 4 POPULATION GROWTH BY SUB REGION, 2014 TO 2031

Sub Region	2014	2021	2031	2014-31		
				Change	Share of Growth	Annual Growth Rate
Geelong (Central)	110,100	118,600	124,600	14,500	20%	0.7%
Geelong (Corio Norlane)	40,200	41,800	44,000	3,900	5%	0.5%
Geelong (Armstrong Creek)	2,800	10,200	28,500	25,700	36%	14.6%
Ocean Grove	17,900	20,000	22,300	4,400	6%	1.3%
Lara	14,800	17,900	22,300	7,500	10%	2.4%
Drysdale	11,800	14,700	19,100	7,300	10%	2.9%
Leopold	10,300	12,500	15,200	4,800	7%	2.3%
NE Bellarine Peninsula	6,800	7,600	8,900	2,200	3%	1.6%
Remainder	11,300	11,800	13,100	1,900	3%	0.9%
Greater Geelong	**225,900**	**255,200**	**298,000**	**72,100**	**100%**	**1.6%**

Source: SGS Economics and Planning

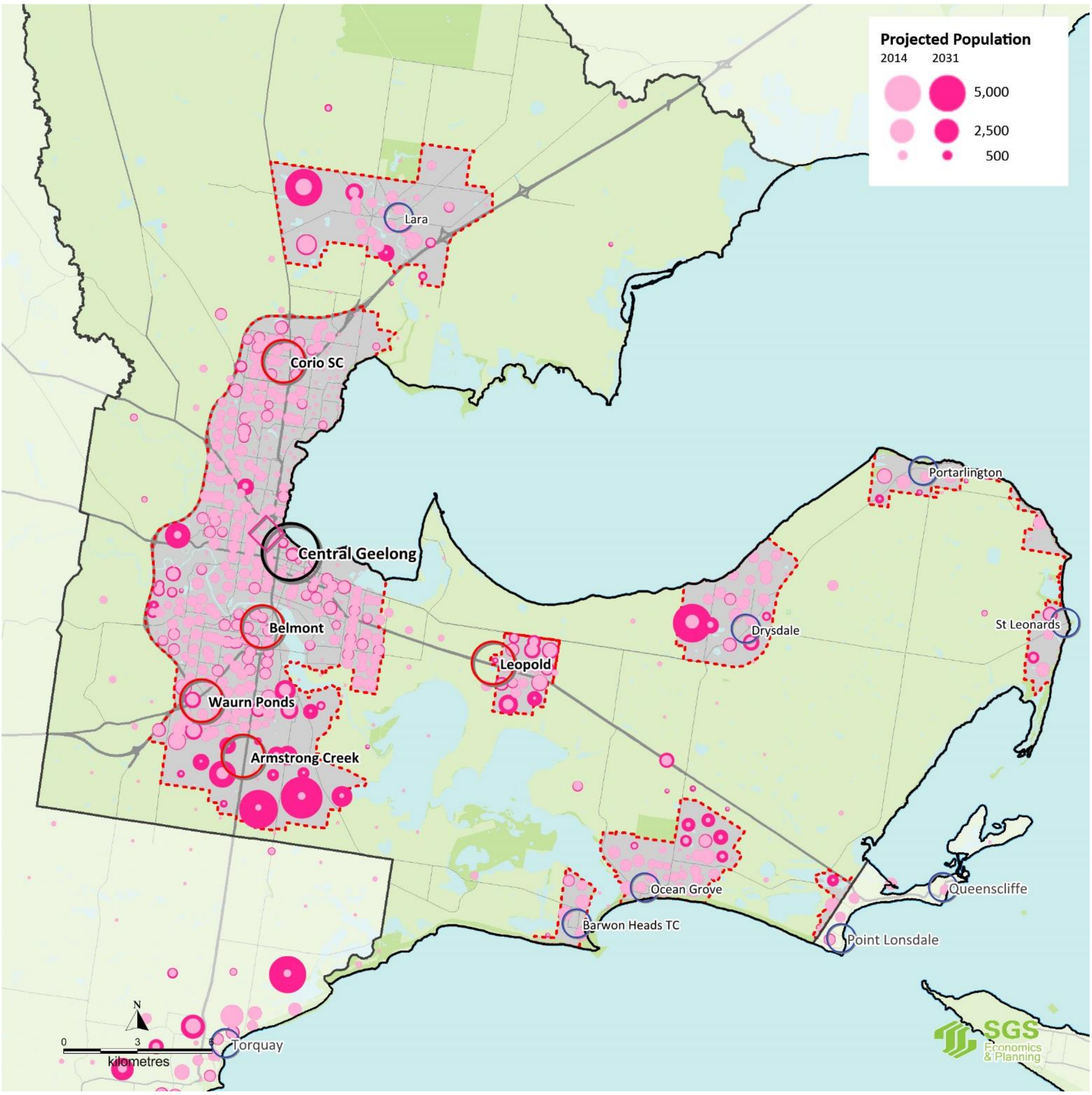
Table 5 presents population growth out to 2031 by suburb and settlement area. These largely align with ID consulting location areas. Figure 38 maps the spatial distribution of this population growth, with the darker shades representing the increase between 2014 and 2031. The areas of greatest population growth to be expected are in Armstrong Creek, Lara, Drysdale and Leopold.

TABLE 5 POPULATION GROWTH BY SUBURBS/SETTLEMENTS, 2014 TO 2031

Suburb/Settlements	2014	2021	2031	2014-31		
				Change	Share of Growth	Annual Growth Rate
Armstrong Creek Growth Area	2,400	9,700	27,400	25,000	35%	15.5%
Barwon Heads - Connewarre - Breamlea	4,600	4,800	4,800	300	0%	0.3%
Bell Park	4,800	5,000	5,200	500	1%	0.5%
Bell Post Hill	5,200	5,100	5,200	0	0%	0.0%
Belmont	14,900	15,900	17,300	2,400	3%	0.9%
Clifton Springs	7,000	7,000	7,100	100	0%	0.1%
Corio	14,900	15,400	16,300	1,400	2%	0.5%
Drysdale	4,700	5,600	7,100	2,400	3%	2.4%
East Geelong	3,200	3,400	3,900	600	1%	1.1%
Geelong - South Geelong - Drumcondra	7,500	8,300	8,900	1,400	2%	1.0%
Geelong West	6,500	6,600	6,500	0	0%	0.0%
Grovedale - Marshall	16,400	18,500	19,400	3,000	4%	1.0%
Hamlyn Heights	6,400	6,500	6,300	0	0%	0.0%
Herne Hill - Fyansford	4,000	4,700	6,700	2,700	4%	3.1%
Highton - Ceres	17,700	20,200	20,200	2,500	3%	0.8%
Lara	15,200	18,400	22,600	7,400	10%	2.4%
Leopold	11,100	13,300	16,000	4,900	7%	2.2%
Lovely Banks - Batesford - Moorabool	3,300	3,800	4,100	800	1%	1.3%
Manifold Heights	2,600	2,700	2,600	0	0%	0.0%
Newcomb - Moolap	5,600	5,700	6,000	500	1%	0.5%
Newtown	10,000	10,100	10,200	200	0%	0.1%
Norlane - North Shore	9,200	9,500	9,900	700	1%	0.5%
North Geelong - Rippleside	3,700	4,100	4,400	800	1%	1.1%
Ocean Grove	13,700	15,600	17,500	3,800	5%	1.4%
Portarlington	3,600	4,000	4,700	1,000	1%	1.5%
Rural Bellarine Peninsula	3,900	6,100	10,200	6,300	9%	5.9%
Rural North	1,700	1,900	2,200	400	1%	1.3%
St Albans Park	5,200	5,300	5,400	200	0%	0.3%
St Leonards - Indented Head	3,300	3,800	4,500	1,100	2%	1.8%
Thomson - Breakwater	3,200	3,200	3,500	300	0%	0.6%
Wandana Heights	2,100	2,300	2,600	500	1%	1.3%
Waurn Ponds - Mount Duneed (west)	4,200	4,500	4,600	500	1%	0.6%
Whittington	4,300	4,300	4,600	300	0%	0.5%
Greater Geelong	**225,900**	**255,200**	**298,000**	**72,100**	**100%**	**1.6%**

Source: SGS forecasts 2014

FIGURE 38 PROJECTED POPULATION GROWTH, 2011 TO 2031



Source: SGS Economics and Planning

Population growth beyond Greater Geelong

There are some locations just beyond the Greater Geelong boundary which are likely to experience notable population growth and need to be considered when understanding retail needs.

- Torquay is anticipated to see significant grow at 3.2 per cent per annum. It will reach a population of approximately 18,000 by 2031.
- The City of Wyndham is also growing rapidly. Its retail needs will expand significantly and some may flow into the northern regions of Geelong.

7.2 Projected retail spend

Using projected population and other datasets the following section presents the projected growth in retail expenditure anticipated across the Greater Geelong retail system.

Method overview

SGS has forecast the future retail expenditure in Greater Geelong using the following steps:

1. Base (2014) per capita expenditure by commodity group and development cell
2. Projected per capita expenditure by commodity group and development cell
3. Total resident expenditure by commodity group and development cell
4. Total adjusted expenditure by commodity group and development cell, based on adjustments for various aspects of escape/capture: online, worker-based, student and tourism.

Further information regarding the data, assumptions and approach are detailed in Section 5.4.

Step 1: Per capita expenditure

The summary table below presents the estimated per capita expenditure by commodity group at 2014 for Greater Geelong as compared to Victoria, Greater Melbourne and Regional Victoria. From this we can see that residents in Geelong spend more on essentials and less on luxury items such as restaurants, clothing, homewares and electronics. The exception to this is tobacco and alcohol where Geelong residents spend significantly more than the average.

TABLE 6 ANNUAL PER CAPITA SPEND BY COMMODITY TYPE, 2014

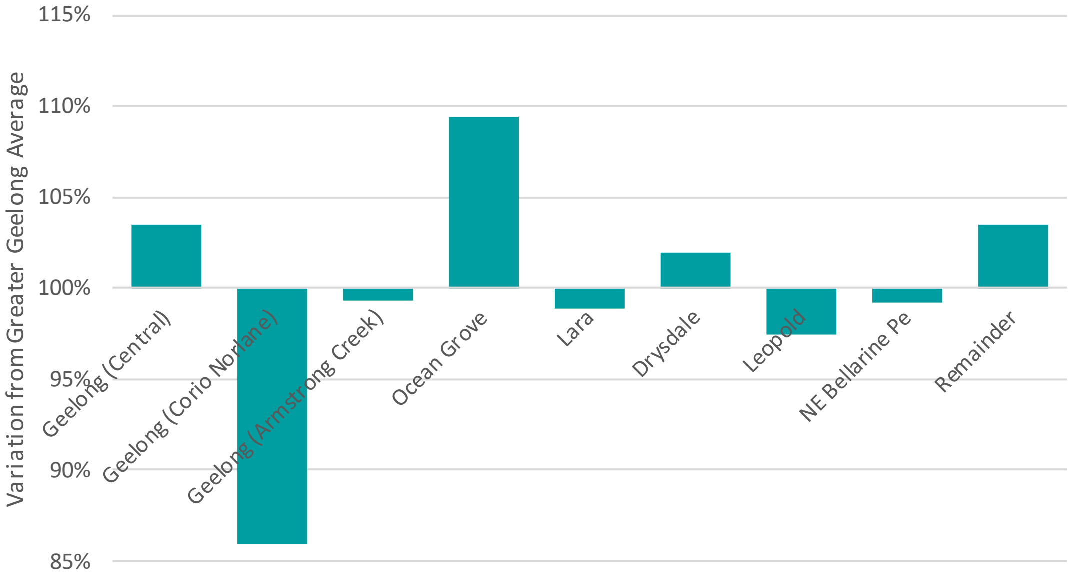
Commodity group	Greater Geelong		Victoria	Regional Victoria	Greater Melbourne
	$	% diff from Vic			
Food/Groceries	$4,300	*102%*	$4,270	$4,330	$4,260
Pharmaceutical goods	$870	*103%*	$840	$840	$840
Tobacco/Bottle shops	$1,260	*108%*	$1,170	$1,290	$1,130
Restaurants/Cafes/Takeaway	$1,540	*92%*	$1,660	$1,430	$1,740
Clothing/Shoes	$1,010	*92%*	$1,090	$940	$1,140
Personal	$750	*95%*	$790	$690	$820
Furniture/White goods/Manchester	$1,220	*97%*	$1,250	$1,200	$1,270
Electronics	$1,640	*95%*	$1,720	$1,560	$1,770
Hardware/Gardening	$660	*106%*	$620	$640	$610
Newsagent/Lotto	$350	*104%*	$330	$340	$330
Total Retail Spend	**$13,620**	***99%***	**$13,740**	**$13,270**	**$13,900**

Source: Market Info, 2014.

Given the diverse urban and demographic profile of Greater Geelong these average expenditure trends can vary considerably within the municipality. Figure 39 shows how resident per capita spending varies from the Geelong average across 9 sub regions outlined in Section 1.4.

From this it can be seen that Ocean Grove residents have the highest per capita spend while residents from the Corio Norlane sub-region have the lowest.

FIGURE 39 VARIATION OF ANNUAL PER CAPITA SPEND BY SUB-REGION, 2014



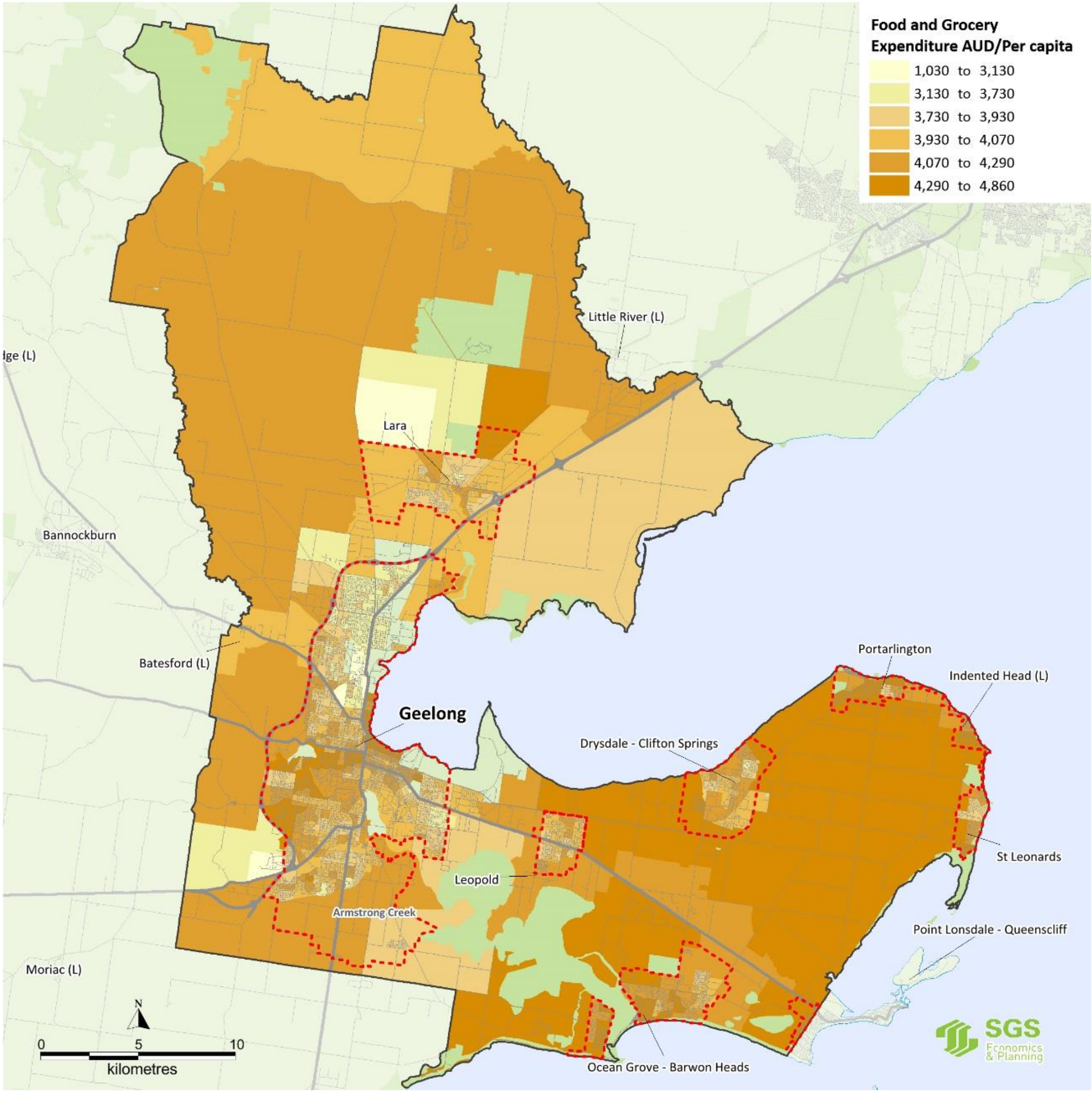
Source: Market Info, 2014.

Figure 40 to Figure 43 further illustrate the variation in resident per capita expenditure profiles for various expenditure groups.

In Figure 40, the expenditure patterns for food and groceries (which mainly end up in supermarkets and convenience stores) are relatively even across most areas (with the exception of Northern Geelong). Most households spend approximately $4300 per year per person on food and groceries – a common figure across Victoria. This is because food and groceries are essential goods for which consumption is relatively similar across all demographics and income categories.

The key implication here is that population growth is a safe predictor of demand for supermarkets and convenience stores.

FIGURE 40 PER CAPITA EXPENDITURE – FOOD & GROCERY

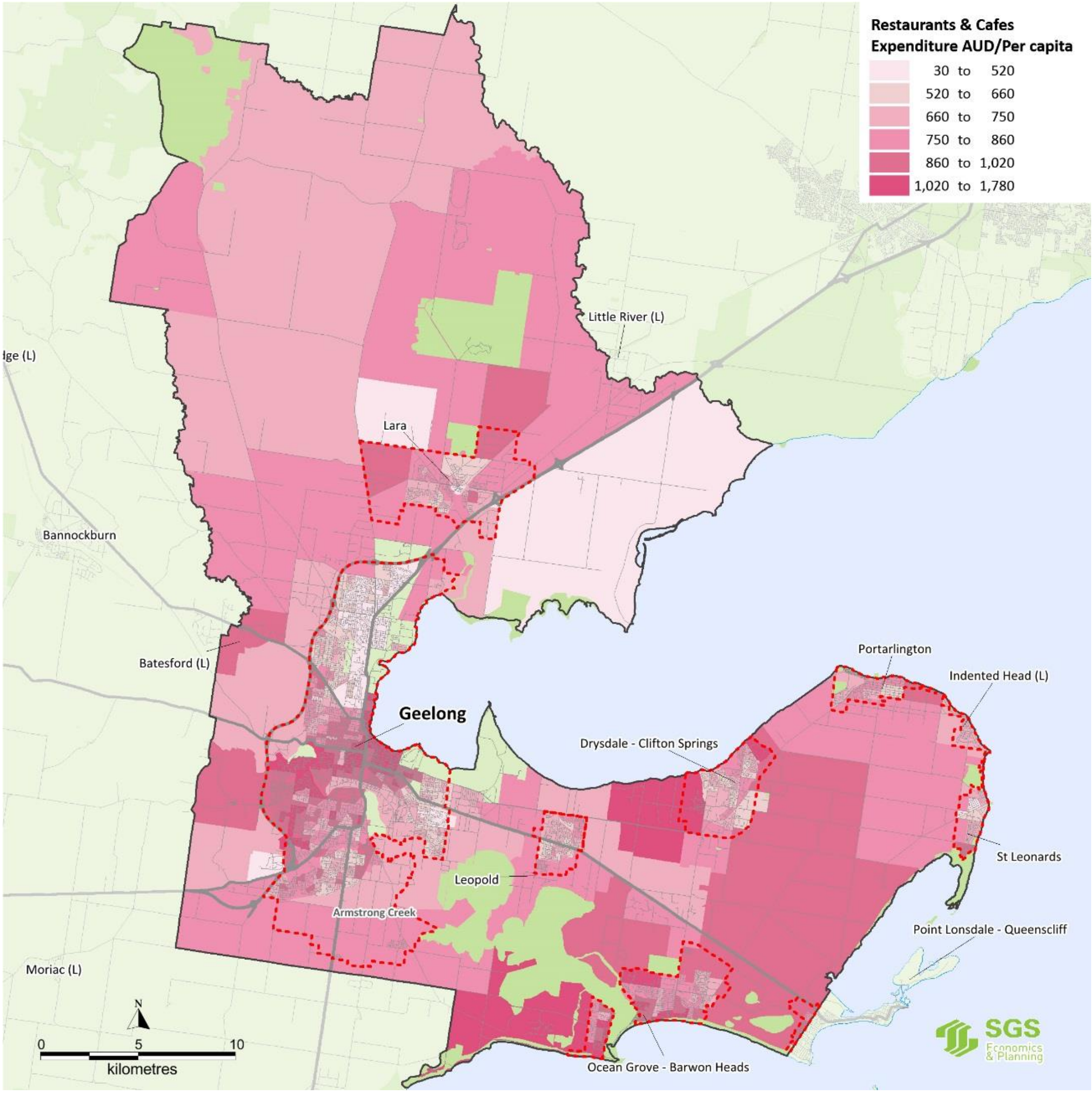


Source: SGS using Marketinfo 2014

Whilst affluent individuals and households may be inclined to purchase more expensive fresh foods and grocery products, they also divert a greater share of their overall food expenditure to cafes and restaurants (Figure 41).

So whilst population growth is expected to be significant around Lara, Armstrong Creek and Leopold, demand for hospitality services will also be determined by the demographic profile of residents that settle in those areas.

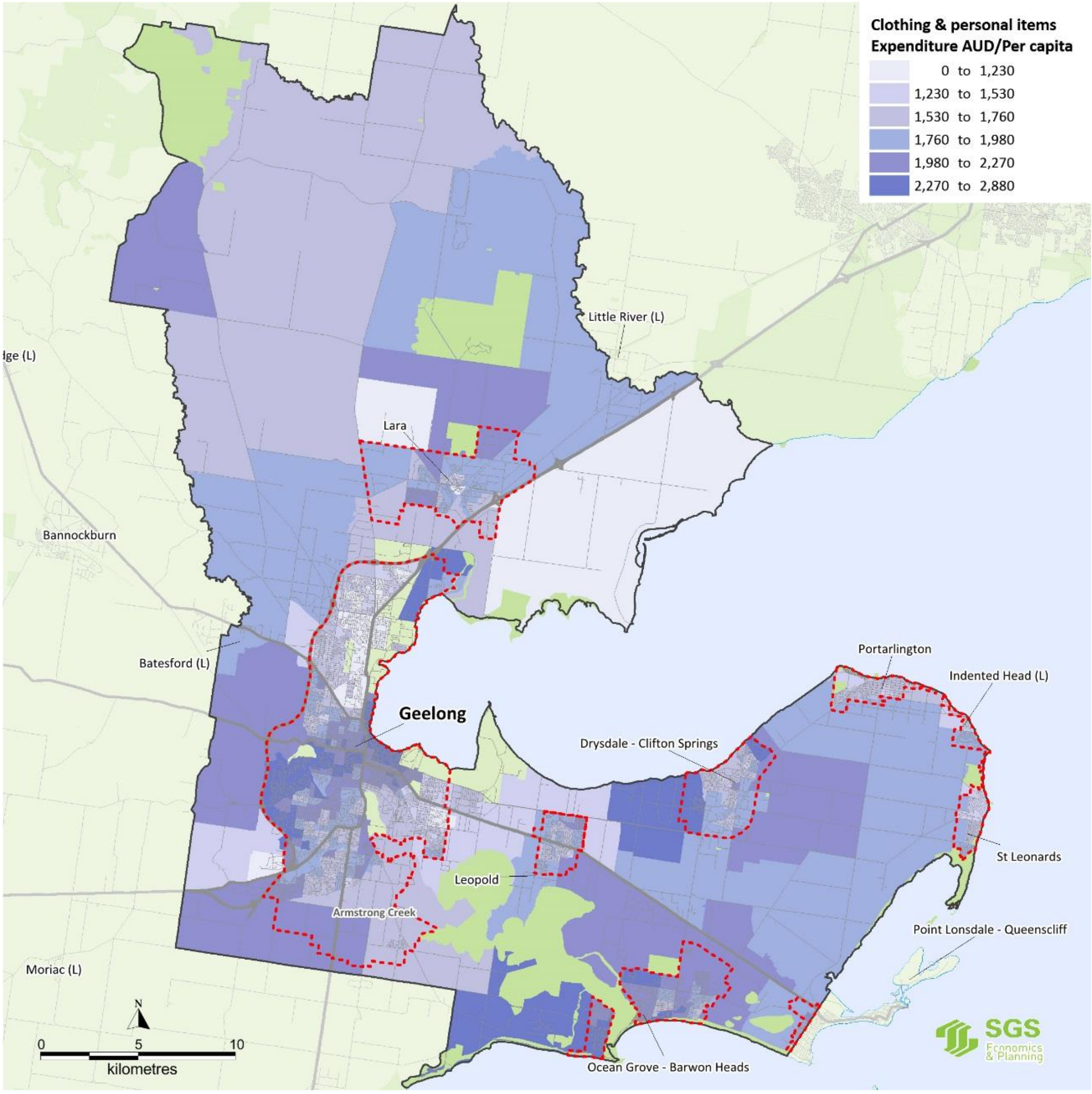
FIGURE 41 PER CAPITA EXPENDITURE – HOSPITALITY



Source: SGS using Marketinfo 2014

A somewhat similar pattern can be observed for Clothing and Personal Items. Expenditure for Clothing and Personal Items tend to either be directed towards Department Stores or Specialty Stores. Figure 42 demonstrates why Pakington Street and Central Geelong are the natural locations to accommodate specialty stores, although there is also some demand around Ocean Grove and Barwon Heads to capture the higher levels of per capita expenditure in their catchment.

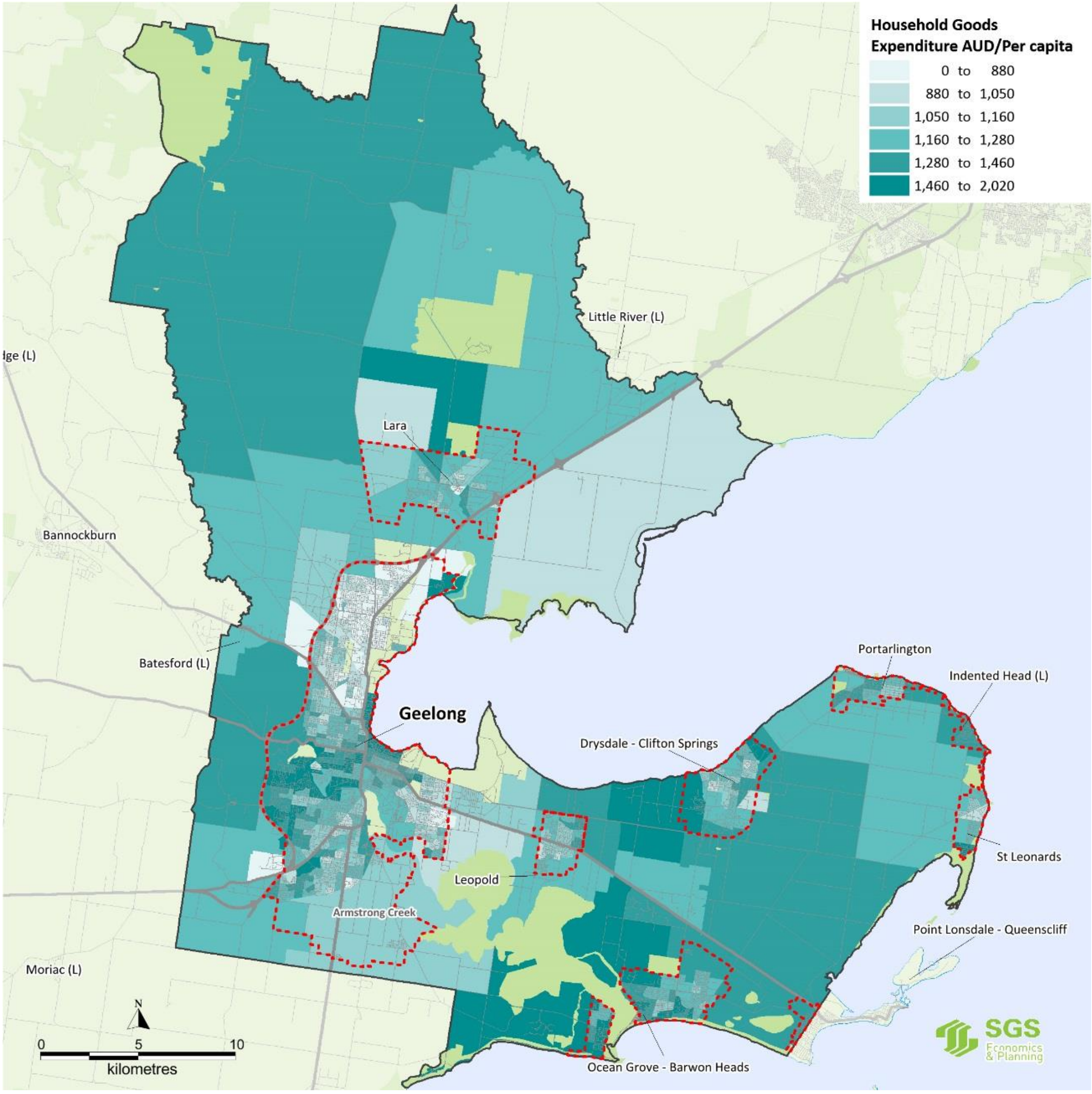
FIGURE 42 PER CAPITA EXPENDITURE – CLOTHING & PERSONAL ITEMS/SERVICES



Source: SGS using Marketinfo 2014

Demand for household goods tends to track the creation of new households – particularly family households in lower density environments where larger dwellings tend to feed demand for furniture and white goods. However, expenditure on household goods is also of a more regional nature than the localised spending which occurs for food and groceries. So whilst Figure 43 highlights the locations where per capita expenditure is greatest, shops selling household goods do not necessarily need to be concentrated in those areas.

FIGURE 43 PER CAPITA EXPENDITURE – HOUSEHOLD GOODS



Source: Marketinfo 2014

Step 2: Projected per capita expenditure

Per capita expenditure by commodity group is then projected forward using information on the latest trends in the retail sector as detailed in Section 5.4.

Table 7 shows projected growth in per capita expenditure by commodity group out to 2031. From this we can see that fresh food and groceries and restaurants and electronics represent the largest increase in expenditure going forward. Newsagent spend is anticipated to decline over the next 20 years.

TABLE 7 PROJECTED SPEND PER CAPITA BY COMMODITY TYPE, 2014-31

Commodity Type	2014	2021	2031	2014-31 Change	Share of Growth	Annual Growth Rate
Food/Groceries	$4,340	$4,660	$5,120	$780	25%	1.0%
Pharmaceutical goods	$870	$990	$1,170	$310	10%	1.8%
Tobacco/Bottle shops	$1,260	$1,340	$1,450	$190	6%	0.8%
Restaurants/Cafes/Takeaway	$1,540	$1,710	$1,940	$410	13%	1.4%
Clothing/Shoes	$1,010	$1,150	$1,340	$340	11%	1.7%
Personal	$750	$830	$940	$190	6%	1.3%
Furniture/White goods/Manchester	$1,220	$1,360	$1,570	$350	11%	1.5%
Electronics	$1,640	$1,870	$2,200	$560	18%	1.7%
Hardware/Gardening	$660	$740	$860	$200	6%	1.6%
Newsagent/Lotto	$350	$250	$110	-$230	-8%	-6.4%
Total Spend per capita	**$13,620**	**$14,910**	**$16,700**	**$3,080**	**100%**	**1.2%**

Source: SGS Economics and Planning based on Market Info and ABS Retail Trade series.

Step 3: Total resident retail expenditure

The per capita expenditure forecasts are then multiplied by small area population projections to generate total resident expenditure forecasts across Greater Geelong.

Results for the whole of Greater Geelong are presented in the table below. This highlights that the total resident expenditure pool in Greater Geelong will increase by 60 per cent over the next 17 years.

TABLE 8 PROJECTED RESIDENT SPEND BY COMMODITY GROUP, 2014-31 ($ MILLION)

Commodity Type	2014	2021	2031	2014-31 Change	Share of Growth	Annual Growth Rate
Food/Groceries	$981	$1,190	$1,526	$546	29%	2.6%
Pharmaceutical goods	$196	$254	$350	$154	8%	3.5%
Tobacco/Bottle shops	$285	$341	$432	$146	8%	2.5%
Restaurants/Cafes/Takeaway	$347	$436	$579	$232	12%	3.1%
Clothing/Shoes	$228	$293	$401	$173	9%	3.4%
Personal	$169	$212	$280	$111	6%	3.0%
Furniture/White goods/Manchester	$275	$348	$467	$192	10%	3.2%
Electronics	$371	$478	$655	$284	15%	3.4%
Hardware/Gardening	$148	$188	$255	$107	6%	3.2%
Newsagent/Lotto	$78	$64	$33	-$45	-2%	-4.9%
Total	**$3,078**	**$3,804**	**$4,977**	**$1,899**	100%	**2.9%**

Source: SGS Economics and Planning

Table 9 presents the spatial distribution of this projected resident expenditure across the sub-regions of Geelong. This highlights that much of the growth in resident expenditure will remain in Geelong, largely split between the Armstrong Creek growth area and Central Geelong.

The settlements around Geelong will also see an increase in resident expenditure with Drysdale anticipated to see the largest increase.

TABLE 9 PROJECTED RESIDENT SPEND BY SUB REGION, 2014-31 ($MILLION)

Sub Region	2014	2021	2031	2014-31 Change	2014-31 Share of Growth	2014-31 Annual Growth Rate
Geelong (Central)	$1,553	$1,829	$2,150	$597	31%	1.9%
Geelong (Corio Norlane)	$470	$530	$620	$150	8%	1.6%
Geelong (Armstrong Creek)	$38	$152	$471	$433	23%	16.0%
Ocean Grove	$266	$324	$403	$137	7%	2.5%
Lara	$199	$263	$365	$166	9%	3.6%
Drysdale	$164	$230	$347	$182	10%	4.5%
Leopold	$137	$182	$249	$112	6%	3.6%
NE Bellarine Peninsula	$92	$112	$148	$57	3%	2.9%
Remainder	$159	$182	$224	$65	3%	2.0%
Greater Geelong	**$3,078**	**$3,804**	**$4,977**	**$1,899**	**100%**	**2.9%**

Source: SGS Economics and Planning

Step 4: Total adjusted retail expenditure

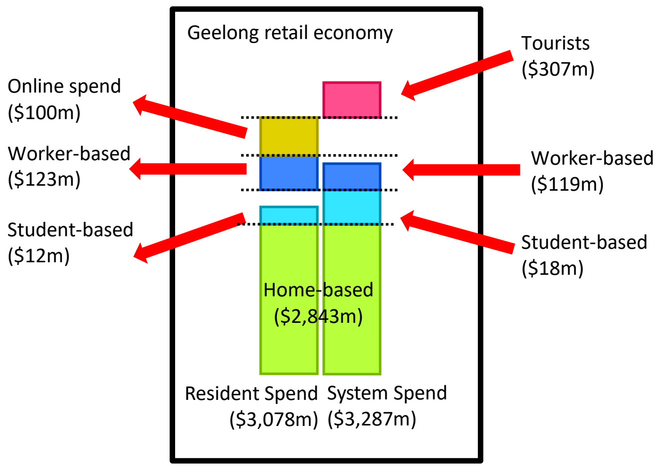
As detailed in Section 5, while a large proportion of spending is in relation to place of residence, decisions based around online shopping, place of work and place of study and tourism are still significant and vary across commodities and location. SGS has completed detailed analysis to account for these various aspects of retailing demand across the entire network and at a local level.

Figure 44 presents the effect of these various adjustments to retail expenditure across the Greater Geelong retail system.

For the study area as a whole, resident retail expenditure in 2014 is estimated at $3,078 million. This is comprised of $2,843 million home based, $100 million online, $123 million place of work based and $12 million place of study based expenditure.

The 2014 retail expenditure of workers and students contained within the region is estimated at $119 and $28 respectively. Visitor spend is estimated at $307 million.

FIGURE 44 ESCAPE AND CAPTURE OF EXPENDITURE



Source: SGS Economics and Planning

Aggregating home based, work based, study based and visitor expenditure shows that total retail expenditure in the study area is $3,287 million in 2014.

The resident expenditure forecasts (step 3) have been adjusted based on the figures above to determine a final 'retained' expenditure forecasts. That is, expenditure which is captured by retail floorspace within Greater Geelong.

Table 10 and Table 11 present these final adjusted expenditure estimates. From this we can see there is overall net inflow in the retail economy as Geelong acts as a major economy node for the broader region. This increase is most felt in the hospitality sector (Restaurants/Cafes/Takeaway).

TABLE 10 PROJECTED ADJUSTED SPEND BY COMMODITY GROUP, 2014-31 ($ MILLION)

Commodity Type	2014	2021	2031	2014-31 Change	2014-31 Share of Growth	2014-31 Annual Growth Rate
Food/Groceries	$986	$1,195	$1,530	$544	29%	2.6%
Pharmaceutical goods	$193	$249	$341	$148	8%	3.4%
Tobacco/Bottle shops	$288	$343	$432	$144	8%	2.4%
Restaurants/Cafes/Takeaway	$536	$634	$797	$261	14%	2.4%
Clothing/Shoes	$262	$326	$431	$169	9%	3.0%
Personal	$217	$262	$335	$117	6%	2.6%
Furniture/White goods/Manchester	$261	$331	$444	$183	10%	3.2%
Electronics	$327	$421	$576	$250	13%	3.4%
Hardware/Gardening	$142	$181	$244	$102	5%	3.2%
Newsagent/Lotto	$75	$61	$32	-$43	-2%	-4.9%
Total	**$3,287**	**$4,003**	**$5,162**	**$1,875**	**100%**	**2.7%**

Source: SGS Economics and Planning

There are also spatial implications within Greater Geelong from these adjustments to retail demand. Due largely to the location of employment and major education institutions we see a small shift in the location of retail demand toward the Geelong (Central) sub-region. There is also a small shift to the 'remainder' sub-region which has relatively few residents but does contain some key tourist attractors which can generate local retail demand.

TABLE 11 PROJECTED ADJUSTED SPEND BY SUB REGION, 2014-31 ($MILLION)

Sub Region	2014	2021	2031	2014-31 Change	2014-31 Share of Growth	2014-31 Annual Growth Rate
Geelong (Central)	$1,694	$1,949	$2,270	$575	31%	1.7%
Geelong (Corio Norlane)	$499	$562	$657	$158	8%	1.6%
Geelong (Armstrong Creek)	$41	$174	$490	$448	24%	15.6%
Ocean Grove	$279	$335	$413	$134	7%	2.3%
Lara	$193	$254	$350	$157	8%	3.6%
Drysdale	$162	$223	$332	$171	9%	4.3%
Leopold	$129	$171	$233	$104	6%	3.5%
NE Bellarine Peninsula	$94	$114	$149	$55	3%	2.7%
Remainder	$194	$220	$268	$73	4%	1.9%
Greater Geelong	**$3,287**	**$4,003**	**$5,162**	**$1,875**	**100%**	**2.7%**

Source: SGS Economics and Planning

8 ISSUES, OPTIONS & STRATEGIC DIRECTIONS

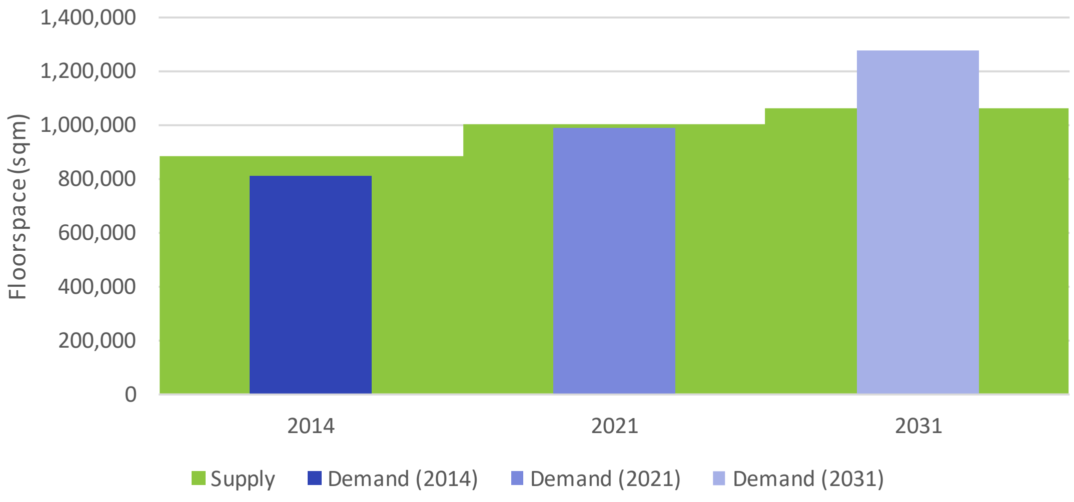
This section draws together findings from the retail supply and demand modelling, planning principles and economic context sections to provide an understanding of the issue and options available to Geelong.

8.1 Overall balance in supply and demand

Figure 45 presents the current and prospective supply demand balance for retail floorspace across all of Greater Geelong and all commodity/store types. It provides an overall appreciation of the supply demand alignment across the municipality as a whole and highlights the significant growth projected for the municipality. This alignment is based on the current Retail Turnover Density across all store types of $4,000 remaining into the future.

On this basis there would be an undersupply of 14,000 sqm by 2021 and 219,000 sqm by 2031 across the network.

FIGURE 45 OVERALL SUPPLY DEMAND FLOORSPACE ALIGNMENT

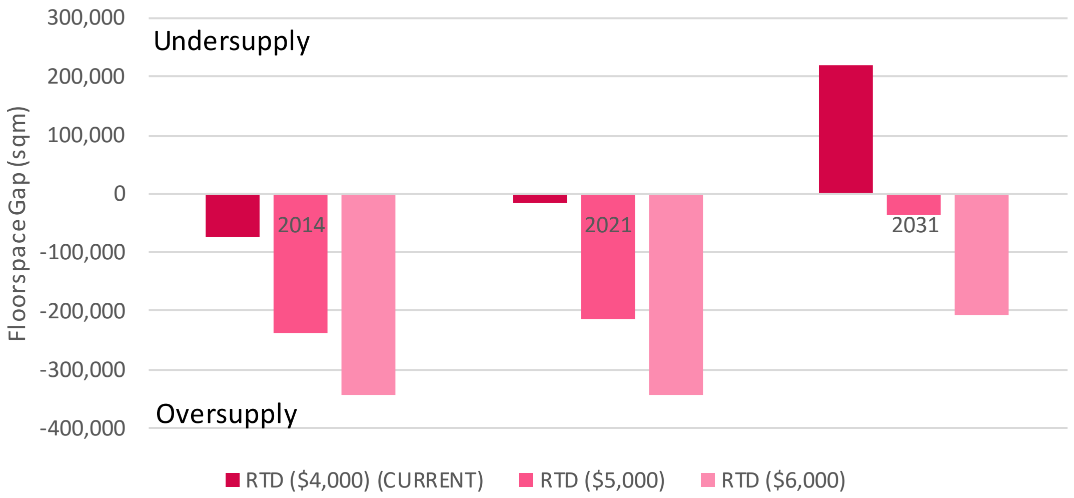


Source: SGS Economics and Planning

However, the study has found that several subsectors of the retail economy are underperforming or have potential to improve performance. Therefore, this supply gap could be addressed not through additional floorspace but through higher performing shops. The following figure presents the supply demand gap under a number of RTD scenarios.

It highlights that overall demand could largely be accommodated by the existing (and currently planned) floorspace if RTDs were able to be increased to approximately $5,000 per sqm.

FIGURE 46 OVERALL SUPPLY DEMAND GAP[8]



Source: SGS Economics and Planning

While this provides a broad understanding of the overall system, an assessment of how this alignment looks at a local level and by sub-sector is critical. There can be an oversupply in one area while an undersupply applies in another.

The following diagram provides a summary of supply demand alignment at a sub-regional level. It highlights where areas are broadly over/under supplied based on the local expenditure demand (resident, worker, student and tourist). With an effective retail hierarchy some degree of 'miss-match' is desired to ensure higher-order retail services are available in high-order centres. That is, it is to be expected that shoppers will travel outside their local area for higher order or comparison goods.

The analysis highlights a broad overprovision in Corio-Norlane and Central Geelong areas with a broad under provision in other regions. This reflects the important role the central core plays in the retail hierarchy providing many of the higher order offers which cannot be provided in a smaller retail economy.

[8] Negative floorspace gap equates to oversupply, whilst positive floorspace gaps indicates an undersupply. Includes existing and planning centres

FIGURE 47 SUPPLY DEMAND FLOORSPACE ALIGNMENT – GEELONG SUB-REGIONS

Source: SGS Economics and Planning

The above analysis has been completed for the sub-regions as defined in Section 1.4.

8.2 A 'base case' scenario

In order to plan for retail centres across Greater Geelong over the next 20 years, it is important to understand the level of trade that the City's centres will attract in a business as usual or base case scenario. This is a theoretical scenario which assumes that existing and planned retailers absorb increasing levels of demand in their **current/committed floorspace and store mix** in perpetuity. That is, there would be no development of any new retail floorspace over and above the planned growth[9].

Outcomes under this hypothetical scenario are shown in Figure 48 and Figure 49. These indicate ever increasing levels of trade per square metre or RTD for all store types as a result of growing population and expenditure across Greater Geelong.

Projected RTDs have been modelled for all centres based on this business as usual scenario for 2021, 2026 and 2031[10]. The key reason for using RTDs as the main measure in this scenario is that it allows for a comparison of expenditure per square metre across all centres by store type, regardless of the size of those centres. A secondary purpose for utilising the RTD as the main measure is that it is directly comparable to property rent per square metre that the retailers face as a cost.

What we find in Figure 48 is that by 2021, there will have been a moderate amount of growth in RTD (compared to the 2014 average in Figure 18) for most centres due to ongoing population and expenditure growth across Greater Geelong. However, new centres built in Greenfield locations will usually trade at a lower level of turnover per square metre in their early years, as the local primary and secondary catchment develops. Centres which are exposed to more competition from currently planned and endorsed centres are likely to return lower RTDs if this new floorspace (supply) is not offset by a commensurate level of population and expenditure growth (demand).

By 2031 (Figure 49), all centres established pre-2014 will be trading strongly. Armstrong Creek Town Centre is also highly liked to draw significant trade. Trade levels will grow at a slower pace for the Neighbourhood Centres in Armstrong Creek, as they are not able to capture significant trade from a wider catchment to offset the lack of population and expenditure in their local catchment during the 2021-2031 period.

[9] This is just an hypothetical example. In reality, even in a 'Do Nothing' scenario, some minimal increase in specialty stores is still likely to occur.

[10] Note that as a starting point, the model assumes that all centres commence 2014 with an equivalent RTD that is quoted in Figure 41 (Is this annual /per capita spending) as 'Average Geelong RTD 2014'. Whilst in reality all centres may be trading at slightly different levels, it is difficult to accurately quantify these differences. Nonetheless, the consultation did find one extreme case – the Woolworths in Drysdale which was trading well above the average RTD for a supermarket. Hence a lower RTD in 2021 for that centre (due to competition from new supermarkets) of only $8,220 should not be interpreted as a 'bad outcome'.

FIGURE 48 RETAIL TURNOVER DENSITY PROJECTIONS – 2021

Precinct	Supermarket	Department Stores	Bulky Goods	Specialty Food	Specialty Other	Hospitality	Total Retail
2014 Greater Geelong Average	***$9,700***	***$3,200***	***$2,300***	***$7,800***	***$3,400***	***$3,200***	***$4,000***
2021 Greater Geelong Average	***$9,300***	***$3,400***	***$2,600***	***$8,300***	***$3,700***	***$3,600***	***$4,300***
Regional	$11,400	$3,800	$2,800	$9,100	$3,900	$3,800	$3,900
Central Geelong	$11,400	$3,800	$2,800	$9,100	$3,900	$3,800	$3,900
Sub-Regional	$10,500	$3,000	$2,700	$7,900	$3,400	$3,300	$5,400
Belmont	$11,100	$3,700	$2,700	$8,900	$3,800	$3,500	$5,900
Waurn Ponds	$11,400	$3,900	$0	$9,100	$3,900	$3,700	$6,500
Corio SC	$11,100	$3,800	$0	$8,900	$3,900	$3,800	$6,200
Leopold	$8,700	$1,300	$0	$5,700	$1,800	$2,400	$3,700
Armstrong Creek	$6,400	$2,000	$0	$5,100	$2,100	$2,700	$3,100
Specialised	$10,900	$0	$2,700	$8,700	$3,800	$3,700	$5,200
Pakington St	$10,900	$0	$2,700	$8,700	$3,800	$3,700	$5,200
Town	$9,400	$3,500	$1,400	$8,200	$3,700	$3,600	$5,700
Ocean Grove	$9,500	$3,500	$0	$7,400	$3,400	$3,400	$4,800
Drysdale	$7,400	$0	$1,400	$7,000	$3,700	$3,700	$5,400
Lara	$11,300	$0	$0	$8,900	$3,800	$3,800	$7,800
Barwon Heads	$11,000	$0	$0	$8,800	$3,900	$3,600	$4,200
Portarlington	$11,100	$0	$0	$8,900	$3,800	$3,800	$6,200
St Leonards	$11,400	$0	$0	$0	$3,900	$3,900	$6,300
Neighbourhood	$7,900	$0	$1,500	$7,400	$3,400	$3,200	$5,700
Shannon Ave (Geelong West)	$10,800	$0	$0	$8,600	$3,800	$3,700	$6,800
Separation St	$0	$0	$0	$8,600	$3,800	$3,700	$4,600
Pakington St (Newtown)	$0	$0	$0	$8,700	$3,800	$3,700	$4,000
Highton	$10,900	$0	$0	$8,800	$3,800	$3,600	$7,200
Newcomb Central	$10,900	$0	$0	$8,700	$3,800	$3,700	$9,100
Geelong East	$10,900	$0	$0	$8,700	$3,800	$3,700	$5,000
Bellarine Village	$10,900	$0	$0	$8,700	$3,800	$3,700	$8,700
Bell Post SC	$11,000	$0	$0	$8,800	$3,800	$3,800	$8,600
Barrabool Hills SC	$11,700	$0	$0	$9,400	$4,200	$4,000	$10,700
Shannon Ave (Newtown)	$10,800	$0	$0	$8,600	$3,800	$3,800	$7,000
Ocean Grove (Marketplace)	$11,600	$0	$0	$10,800	$11,100	$7,900	$10,900
Vines Rd	$10,900	$0	$0	$8,700	$3,800	$3,800	$6,400
Fyansford	$3,200	$0	$1,500	$2,500	$1,000	$1,600	$2,000
Grovedale Central	$11,100	$0	$0	$8,800	$3,800	$3,800	$7,100
Dorothy St	$10,400	$0	$0	$0	$3,200	$3,500	$5,800
Ash Rd	$0	$0	$0	$8,700	$3,500	$3,800	$4,800
Rosewall	$11,400	$0	$0	$4,500	$1,500	$1,500	$7,800
Jetty Rd	$0	$0	$0	$0	$0	$0	$0
Warralily	$2,700	$0	$0	$2,400	$1,100	$1,100	$2,400
Lara W	$1,100	$0	$0	$1,000	$400	$400	$1,000
Armstrong Creek W	$0	$0	$0	$0	$0	$0	$0
Horseshoe Bend NE	$0	$0	$0	$0	$0	$0	$0
Kingston Downs	$3,100	$0	$0	$2,700	$1,600	$1,500	$2,800
Local	$0	$0	$2,600	$8,600	$3,800	$3,700	$5,200
Homemaker	$12,700	$0	$2,500	$9,000	$3,900	$3,800	$3,100
Moorabool/Fyans (Moorabool St)	$0	$0	$2,700	$8,800	$3,900	$3,700	$3,100
Moorabool/Fyans (West Fyans St)	$0	$0	$2,700	$0	$3,900	$3,800	$3,200
Moorabool/Fyans (Gregory Ave)	$0	$0	$2,700	$0	$3,800	$3,700	$3,000
Surf Coast Hwy	$12,700	$0	$2,900	$9,700	$4,200	$4,000	$5,900
Geelong Gateway	$0	$0	$2,700	$8,900	$3,900	$3,800	$3,100
Geelong W	$0	$0	$2,700	$8,800	$3,900	$3,800	$2,900
Waurn Ponds	$0	$0	$2,800	$9,200	$4,000	$3,800	$3,200
Melbourne Rd (Norlane)	$0	$0	$2,700	$8,700	$3,800	$3,600	$3,100
Melbourne Rd (North Geelong)	$0	$0	$2,700	$0	$3,800	$3,600	$3,100
Sinclair St	$0	$0	$2,900	$0	$4,000	$0	$3,700
Anakie Rd	$0	$0	$2,700	$8,700	$0	$3,700	$3,600
Bacchus Marsh Rd	$0	$0	$1,100	$0	$0	$0	$1,100
Leopold Central	$0	$0	$2,300	$0	$0	$0	$2,300
Armstrong Creek	$0	$0	$1,600	$0	$0	$0	$1,600

Source: SGS Economics and Planning

FIGURE 49 RETAIL TURNOVER DENSITY PROJECTIONS – 2031

Precinct	Supermarket	Department Stores	Bulky Goods	Specialty Food	Specialty Other	Hospitality	Total Retail
2014 Greater Geelong Average	$9,700	$3,200	$2,300	$7,800	$3,400	$3,200	$4,000
2031 Greater Geelong Average	$11,200	$4,300	$3,400	$9,900	$4,500	$4,400	$5,400
Regional	$14,800	$5,200	$3,700	$11,400	$4,900	$4,700	$5,000
Central Geelong	$14,800	$5,200	$3,700	$11,400	$4,900	$4,700	$5,000
Sub-Regional	$12,700	$3,700	$3,500	$9,600	$4,100	$4,000	$6,500
Belmont	$13,600	$4,600	$3,500	$10,900	$4,600	$4,100	$7,200
Waurn Ponds	$13,800	$4,800	$0	$10,900	$4,700	$4,400	$7,800
Corio SC	$13,500	$4,800	$0	$10,700	$4,700	$4,600	$7,600
Leopold	$11,300	$1,800	$0	$7,300	$2,400	$3,100	$4,800
Armstrong Creek	$9,500	$2,900	$0	$7,500	$3,100	$3,800	$4,500
Specialised	$12,900	$0	$3,300	$10,300	$4,500	$4,500	$6,100
Pakington St	$12,900	$0	$3,300	$10,300	$4,500	$4,500	$6,100
Town	$12,100	$4,100	$1,900	$10,100	$4,300	$4,500	$7,100
Ocean Grove	$10,900	$4,100	$0	$8,200	$3,800	$3,900	$5,400
Drysdale	$10,200	$0	$1,900	$9,600	$4,800	$5,000	$7,400
Lara	$14,200	$0	$0	$11,100	$4,600	$4,800	$9,800
Barwon Heads	$12,500	$0	$0	$9,300	$4,200	$4,200	$4,800
Portarlington	$14,500	$0	$0	$11,200	$4,400	$4,800	$7,900
St Leonards	$15,100	$0	$0	$0	$5,100	$5,000	$8,200
Neighbourhood	$9,100	$0	$2,100	$8,700	$4,000	$3,900	$6,700
Shannon Ave (Geelong West)	$12,600	$0	$0	$10,000	$4,400	$4,400	$7,900
Separation St	$0	$0	$0	$10,300	$4,600	$4,600	$5,600
Pakington St (Newtown)	$0	$0	$0	$9,900	$4,500	$4,400	$4,700
Highton	$13,000	$0	$0	$10,400	$4,400	$4,300	$8,500
Newcomb Central	$13,300	$0	$0	$10,600	$4,600	$4,600	$11,100
Geelong East	$13,300	$0	$0	$10,500	$4,600	$4,500	$6,100
Bellarine Village	$13,300	$0	$0	$10,600	$4,600	$4,600	$10,700
Bell Post SC	$13,200	$0	$0	$10,500	$4,600	$4,600	$10,400
Barrabool Hills SC	$13,600	$0	$0	$10,800	$4,600	$4,600	$12,400
Shannon Ave (Newtown)	$13,000	$0	$0	$10,100	$4,500	$4,500	$8,400
Ocean Grove (Marketplace)	$14,000	$0	$0	$12,800	$12,700	$9,400	$13,000
Vines Rd	$12,600	$0	$0	$10,100	$4,500	$4,600	$7,500
Fyansford	$4,300	$0	$2,100	$3,400	$1,400	$2,000	$2,700
Grovedale Central	$13,900	$0	$0	$10,800	$4,600	$4,600	$8,800
Dorothy St	$13,000	$0	$0	$0	$4,000	$4,400	$7,200
Ash Rd	$0	$0	$0	$12,000	$4,600	$5,400	$6,600
Rosewall	$14,000	$0	$0	$5,500	$1,800	$1,800	$9,600
Jetty Rd	$0	$0	$0	$0	$0	$0	$0
Warralily	$5,500	$0	$0	$5,100	$2,200	$2,400	$4,800
Lara W	$1,400	$0	$0	$1,200	$500	$500	$1,200
Armstrong Creek W	$4,600	$0	$0	$0	$0	$0	$4,600
Horseshoe Bend NE	$5,000	$0	$0	$4,100	$1,700	$2,000	$3,700
Kingston Downs	$4,700	$0	$0	$4,100	$2,300	$2,300	$4,200
Local	$0	$0	$3,300	$9,800	$4,100	$4,100	$5,700
Homemaker	$15,900	$0	$3,200	$11,000	$4,800	$4,600	$3,900
Moorabool/Fyans (Moorabool St)	$0	$0	$3,600	$10,800	$4,800	$4,600	$4,000
Moorabool/Fyans (West Fyans St)	$0	$0	$3,600	$0	$4,800	$4,700	$4,100
Moorabool/Fyans (Gregory Ave)	$0	$0	$3,400	$0	$4,400	$4,300	$3,700
Surf Coast Hwy	$15,900	$0	$3,900	$12,100	$5,100	$4,900	$7,500
Geelong Gateway	$0	$0	$3,500	$11,000	$4,900	$4,700	$4,100
Geelong W	$0	$0	$3,500	$10,800	$4,800	$4,600	$3,800
Waurn Ponds	$0	$0	$3,700	$11,300	$4,900	$4,600	$4,100
Melbourne Rd (Norlane)	$0	$0	$3,400	$10,300	$4,600	$4,400	$3,900
Melbourne Rd (North Geelong)	$0	$0	$3,400	$0	$4,600	$4,400	$3,800
Sinclair St	$0	$0	$4,200	$0	$5,700	$0	$5,300
Anakie Rd	$0	$0	$3,400	$10,300	$0	$4,600	$4,500
Bacchus Marsh Rd	$0	$0	$1,500	$0	$0	$0	$1,500
Leopold Central	$0	$0	$3,100	$0	$0	$0	$3,100
Armstrong Creek	$0	$0	$2,500	$0	$0	$0	$2,500

Source: SGS Economics and Planning

8.3 Opportunities for retail investment

The obverse of the foregoing discussion is identification of areas where there is scope for new retail investment. The rise of RTDs to levels well above industry norms is a *prima facie* indicator that additional floorspace can be added to a particular catchment. Whether such floorspace is actually added or not depends on many factors, including the indivisibility of certain retail formats. For example, supermarket operators may not invest until certain thresholds of available demand are passed. Physical site availability for new investment can also be an issue.

With these caveats in mind, the demand and supply data from the gravity modelling has been interrogated from the perspective of areas which may be undersupplied in the future, for different store types.

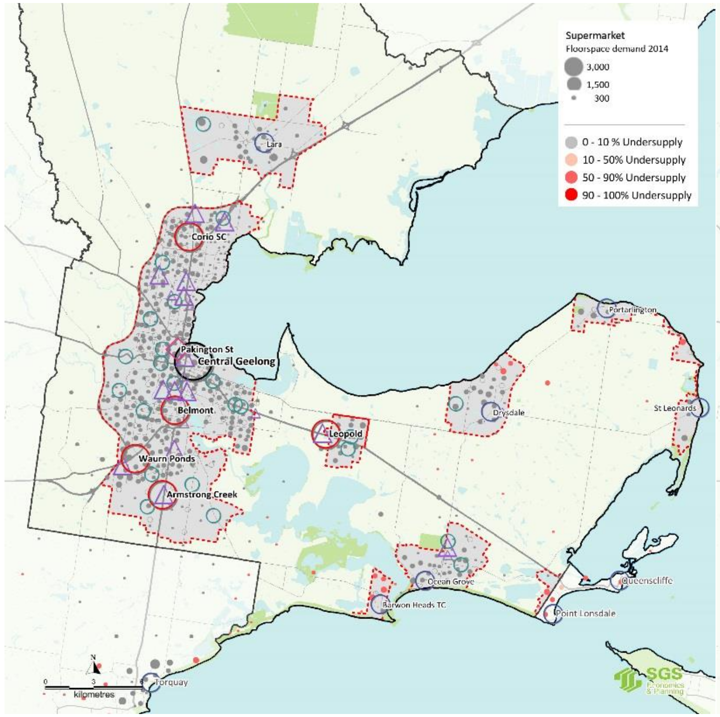
Supermarkets

Figure 50 focus on the need for local food and groceries. The grey circles indicate floorspace demand which is met by a supermarket up to a 20 minute drive. The red circles on the other hand, indicate unmet demand. The size of the circles represent the quantum of floorspace demand. Note this analysis assumes no increase in floorspace supply over and above that which is planned for across the network.

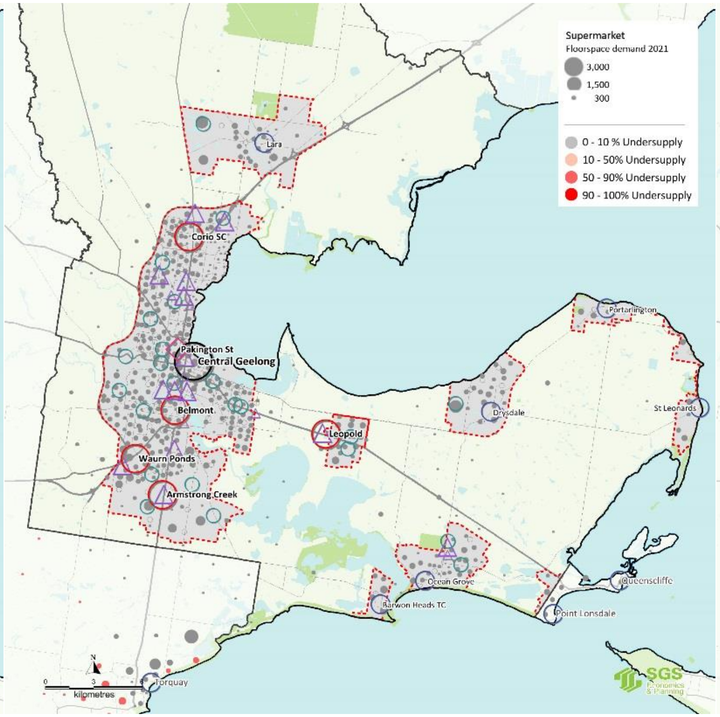
Whether a circle is grey or red is driven by travel times and the underlying supply and demand equation based on trade area catchments. So when red circles appear even though those areas are within 20 minutes' drive of a supermarket, it suggests that those supermarkets are overtrading, and there is a case for supplying new supermarket floorspace – either at the nearby centre(s) OR in a new centre if (a) the nearest centre if relatively distant and (b) there is sufficient demand.

FIGURE 50 SUPPLY & DEMAND EQUATION, SUPERMARKETS

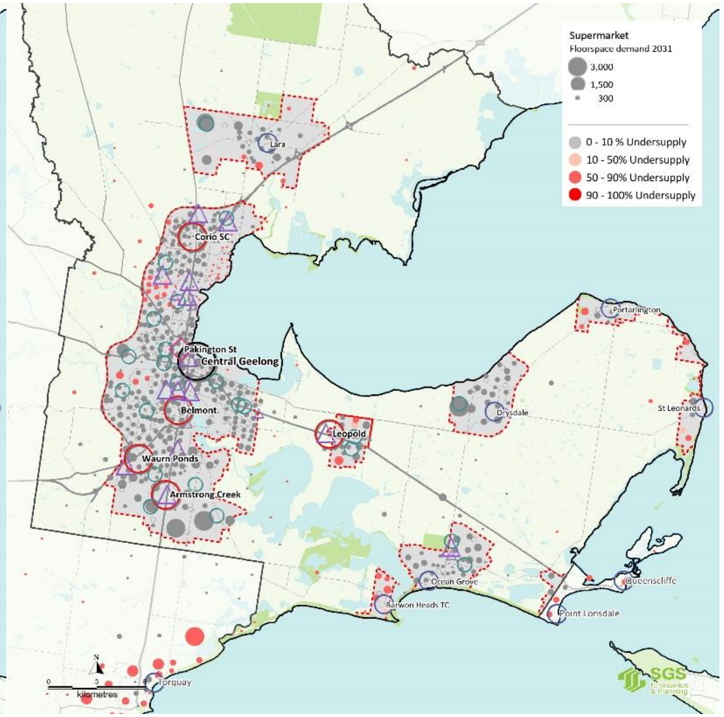
2014



2021



2031



Source: SGS Economics and Planning

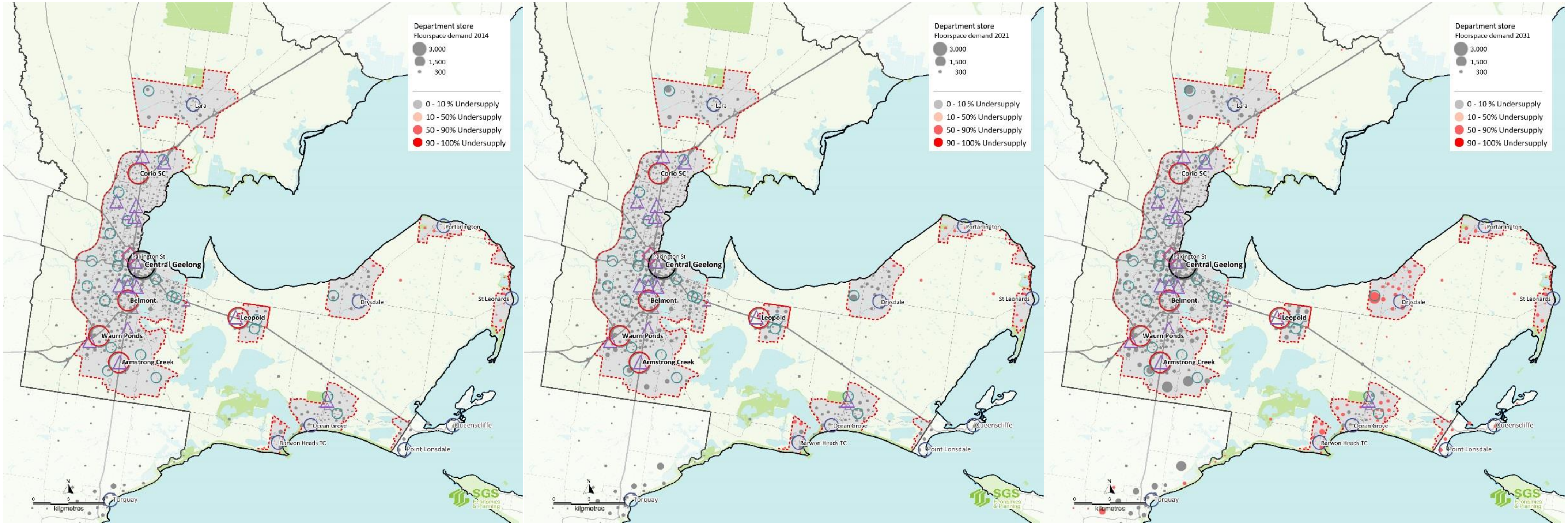
Department Stores

Figure 51 focus on the need for Department Stores and Discount Department Stores (DDS). The grey circles indicate floorspace demand which is met by such stores within a 30 minute drive. The red circles on the other hand, indicate unmet demand. The size of the circles represent the quantum of floorspace demand. Note, again, that this analysis assumes no increase in floorspace supply over and above that which is planned for across the network.

Whether a circle is grey or red is driven by travel times and the underlying supply and demand equation based on trade area catchments. So when red circles appear even though those areas are within 30 minutes' drive of a Department Store or DDS, it suggests that those Department Stores or DDSs are overtrading, and there is a case for supplying new Department Store or DDS floorspace – either at the nearby centre(s) OR in a new centre if (a) the nearest centre if relatively distant and (b) there is sufficient demand.

FIGURE 51 SUPPLY & DEMAND EQUATION, DEPARTMENT STORES

2014 *2021* *2031*



Source: SGS Economics and Planning

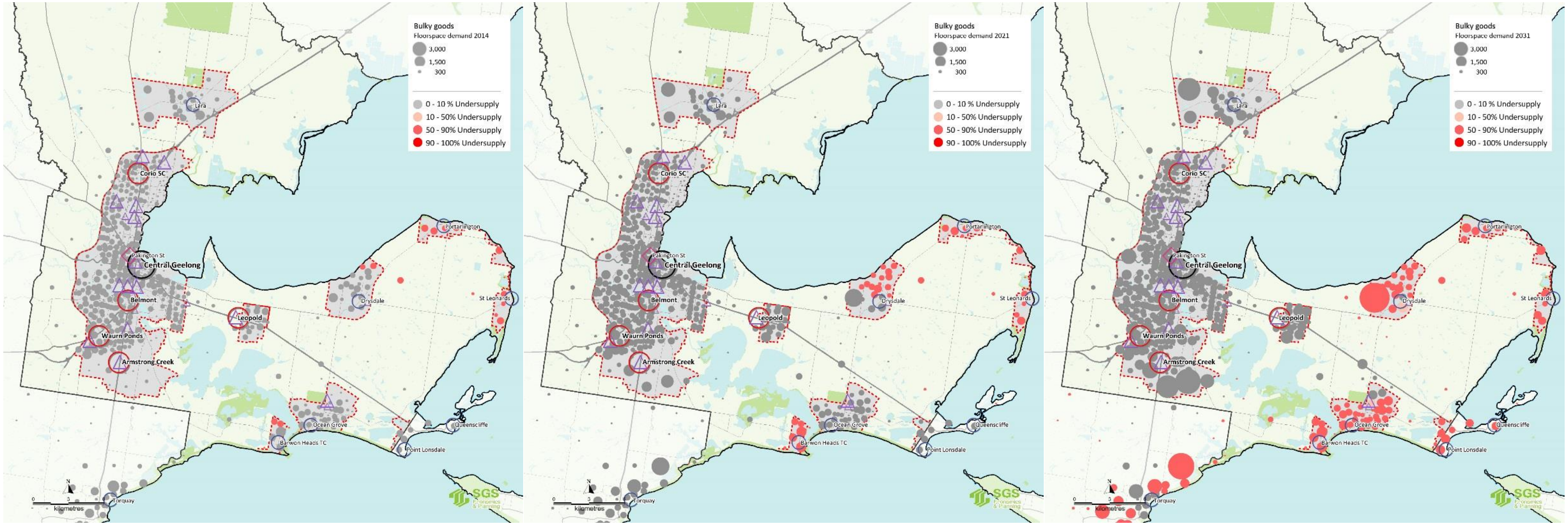
Bulky Goods

Figure 52 focus on the need for Bulky Goods floorspace. The grey circles indicate floorspace demand which is met by a Bulky Goods destination within a 30 minute drive. The red circles on the other hand, indicate unmet demand. The size of the circles represent the quantum of floorspace demand.

Whether a circle is grey or red is driven by travel times and the underlying supply and demand equation based on trade area catchments. So when red circles appear even though those areas are within 30 minutes' drive of a Homemaker Centre, it suggests that those Homemaker Centres are overtrading, and there is a case for supplying new Bulky Goods floorspace – either at the nearby centre(s) OR in a new centre if (a) the nearest centre if relatively distant and (b) there is sufficient demand.

FIGURE 52 SUPPLY & DEMAND EQUATION, BULKY GOODS

2014 *2021* *2031*



Source: SGS Economics and Planning

8.1 Individual centre opportunities and challenges

Drawing from the various analysis components completed throughout this issues and options paper Table 12 summaries some key growth opportunities and potential issues and challenges for individual centres across the Greater Geelong retail hierarchy.

Table 13 further distils this analysis with a focus on the commercially supportable floorspace at each centre as at 2031, taking into account projected population growth. Most centres have scope for expansion, though this is modest in most cases and will come on stream relatively late in the forecast period. Existing and approved floorspace in some centres is already in excess of what is expected to be supportable in 2031.

TABLE 12 CENTRE OPPORTUNITIES AND CHALLENGES

	Growth Opportunities				Issues and Challenges		
Precinct	Existing Floorspace (at 2014)	Vacant Floorspace (at 2014)	Planned new/ add floorspace (by 2031)	Potential within current zoned land	Sub-precinct planning required	Potential for rezoning to align with centre boundary	Comments
Regional	226,900	25,200	-				
Central Geelong	226,900	25,200	-	X	X	X	
Sub-Regional	122,200	1,400	56,100				
Belmont	42,600	1,400	-				
Waurn Ponds	42,800	0	-			X	Further planning work is required to include the RGZ2 land as part of centre, which already contains retail uses.
Corio SC	29,900	0	-				
Leopold	6,900	0	16,100		X		Elevated to Sub-regional status to service the broader Bellarine Peninsula. Stage 1 includes an expansion to 23,000 sqm with an ultimate retail floorspace of 35,000 sqm
Armstrong Creek	0	0	40,000		X		New sub-regional centre planned for the Armstrong Creek growth area
Specialised	40,700	2,000	-				
Pakington St	40,700	2,000	-	X	X		Further planning work is needed to better define role and function of the various sub-precincts within this broader centre. Attention is needed to ensure it maintains its specialty retailing function and does not undermine the Geelong CBD.

Precinct	Growth Opportunities: Existing Floorspace (at 2014)	Vacant Floorspace (at 2014)	Planned new/ add floorspace (by 2031)	Potential within current zoned land	Issues and Challenges: Sub-precinct planning required	Potential for rezoning to align with centre boundary	Comments
Town	56,100	3,700	6,300				
Ocean Grove	15,000	1,100	-				
Drysdale	10,900	200	6,300				Elevated to a Town centre to service the growing Drysdale settlement
Lara	11,900	400	-				
Barwon Heads	8,700	1,100	-				
Portarlington	6,400	800	-				
St Leonards	3,200	100	-				
Neighbourhood	86,300	1,900	44,000				
Shannon Ave (Geelong West)	12,900	0	-				
Separation St	5,600	400	-				
Pakington St (Newtown)	8,300	300	-				
Highton	7,000	100	-			X	Zoning controls for this centre could be realigned to include the carpark (currently zoned GRZ1)
Newcomb Central	6,800	0	-				
Geelong East	5,900	200	-				
Bellarine Village	6,900	0	-			X	Zoning controls for this centre could be realigned to support the existing use of a Take Away shop (currently zoned RGZ2)
Bell Post SC	5,800	0	-				
Barrabool Hills SC	3,800	0	-				
Shannon Ave (Newtown)	4,500	400	-			X	Zoning controls for this centre could be realigned to support the existing use of a Hotel on the SW corner (currently zoned RGZ2)
Ocean Grove (Marketplace)	5,700	0	1,500				
Vines Rd	3,100	100	-				
Fyansford	2,300	0	9,500				A new neighbourhood centre will be developed across the road from the existing Fyansford centre to support future retail demand from higher

Precinct	Growth Opportunities Existing Floorspace (at 2014)	Vacant Floorspace (at 2014)	Planned new/ add floorspace (by 2031)	Potential within current zoned land	Issues and Challenges Sub-precinct planning required	Potential for rezoning to align with centre boundary	Comments
							residential development planned to the East (currently zoned C1Z with a DPO)
Grovedale Central	2,500	200	-				Grovedale has been elevated to Neighbourhood centre given its size and inclusion of a small supermarket
Dorothy St	1,800	0	-	X			Elevated to Neighbourhood Centre as it supports a relatively isolated community
Ash Rd	1,600	200	-	X			
Rosewall	1,700	0	1,100				
Jetty Rd	0	0	6,500				
Warralily	0	0	6,000				
Lara W	0	0	4,700				
Armstrong Creek W	0	0	3,000				
Horseshoe Bend NE	0	0	7,000				
Kingston Downs	0	0	4,700				
Local	69,500	5,900	11,800				
Homemaker	206,400	9,500	55,800				
Moorabool/Fyans (Moorabool St)	42,500	3,100	-	X	X		Further work is needed to clearly define the role and function of these precincts
Moorabool/Fyans (West Fyans St)	13,300	400	-	X	X		
Moorabool/Fyans (Gregory Ave)	2,500	0	-	X	X		
Surf Coast Hwy	18,000	2,000	-	X	X		
Geelong Gateway	31,500	2,100	-		X		
Geelong W	20,300	1,800	-	X			Further work is need to help transition land to other uses such as residential or broader employment uses
Waurn Ponds	31,900	0	-				

Precinct	Growth Opportunities: Existing Floorspace (at 2014)	Vacant Floorspace (at 2014)	Planned new/ add floorspace (by 2031)	Potential within current zoned land	Issues and Challenges: Sub-precinct planning required	Potential for rezoning to align with centre boundary	Comments
Melbourne Rd (Norlane)	23,500	100	-	X			
Melbourne Rd (North Geelong)	14,300	0	-	X			
Sinclair St	3,200	0	-	X	X		
Anakie Rd	5,500	0	-	X			
Bacchus Marsh Rd	0	0	18,500	X	X		Zoned C2Z and approved for a Masters which is no long proceeding. Provides the potential for an alternative Bulky Goods Centre to be established.
Leopold Central	0	0	12,300				New Homemaker Centre adjoining proposed Sub Regional Centre at Leopold
Armstrong Creek	0	0	25,000				New Homemaker Centre adjoining proposed Sub Regional Centre at Armstrong Creek
Dispersed Bulky Goods	78,500	1,900	0				
Bellarine Hwy (Newcomb)	18,900	1,300	-	X			Largely very low density bulky goods retailing
Settlement Rd/Breakwater Rd	33,000	200	-	X	X		Includes a spotlight homemaker centre along with a number of bulky goods uses in the surrounding industrial land. Further work is required to define sub precincts and key role/function.
Smithton Grv	2,500	0	-	X			Adjoins Sinclair St (Homemaker Centre) and Kingston Downs (Neighbourhood Centre).
Drysdale Homemaker	2,100	400	-	X			Dispersed bulky goods extending from Drysdale towncentre
Mackey St	11,200	0	-				Current retail uses in this precinct are inappropriate given current 'heavy' IN2Z zoning. Industrial uses should be the priority
Sharon Crt	10,500	0	-				
Princess Hwy	300	0	-				

TABLE 13 SUPPORTABLE FLOORSPACE

Precinct	Floorspace supply Existing Floorspace in 2014	Vacant Floorspace	Planned new/ add floorspace	Total	Projected Supportable Floorspace Demand 2014	2021	2031	2014-31	Total supply less demand 2014	2021	2031
Regional	226,900	25,200	-	252,100	188,000	221,500	**283,900**	95,900	64,100	30,600	-31,800
Central Geelong	226,900	25,200	-	252,100	188,000	221,500	**283,900**	95,900	64,100	30,600	-31,800
Sub-Regional	122,200	1,400	56,100	179,700	108,500	143,100	**195,200**	86,700	71,200	36,600	-15,500
Belmont	42,600	1,400	-	44,000	37,100	42,400	**51,500**	14,400	6,900	1,600	-7,500
Waurn Ponds	42,800	0	-	42,800	38,500	45,200	**54,700**	16,200	4,300	-2,400	-11,900
Corio SC	29,900	0	-	29,900	26,700	30,800	**38,000**	11,300	3,200	-900	-8,100
Leopold	6,900	0	16,100	23,000	6,200	13,100	**17,000**	10,800	16,800	9,900	6,000
Armstrong Creek	0	0	40,000	40,000	0	11,600	**34,000**	34,000	40,000	28,400	6,000
Specialised	40,700	2,000	-	42,700	34,500	39,200	**46,800**	12,300	8,200	3,500	-4,100
Pakington St	40,700	2,000	-	42,700	34,500	39,200	**46,800**	12,300	8,200	3,500	-4,100
Town	56,100	3,700	6,300	66,100	48,700	57,100	**70,500**	21,800	17,400	9,000	-4,400
Ocean Grove	15,000	1,100	-	16,100	13,000	13,300	**15,100**	2,100	3,100	2,800	1,000
Drysdale	10,900	200	6,300	17,400	9,500	13,700	**18,500**	9,000	7,900	3,700	-1,100
Lara	11,900	400	-	12,300	10,700	12,300	**15,300**	4,600	1,600	0	-3,000
Barwon Heads	8,700	1,100	-	9,800	7,200	8,200	**9,300**	2,100	2,600	1,600	500
Portarlington	6,400	800	-	7,200	5,500	6,300	**8,000**	2,500	1,700	900	-800
St Leonards	3,200	100	-	3,300	2,800	3,300	**4,300**	1,500	500	0	-1,000
Neighbourhood	86,300	1,900	44,000	132,200	76,100	97,100	**127,200**	51,100	56,100	35,100	5,000
Shannon Ave (Geelong West)	12,900	0	-	12,900	11,400	12,800	**15,000**	3,600	1,500	100	-2,100
Separation St	5,600	400	-	6,000	4,600	5,300	**6,400**	1,800	1,400	700	-400
Pakington St (Newtown)	8,300	300	-	8,600	6,900	7,800	**9,200**	2,300	1,700	800	-600

Highton	7,000	100	-	7,100	6,100	6,900	**8,100**	2,000	1,000	200	-1,000
Newcomb Central	6,800	0	-	6,800	6,300	7,100	**8,700**	2,400	500	-300	-1,900
Geelong East	5,900	200	-	6,100	5,000	5,700	**7,000**	2,000	1,100	400	-900
Bellarine Village	6,900	0	-	6,900	6,300	7,100	**8,700**	2,400	600	-200	-1,800
Bell Post SC	5,800	0	-	5,800	5,300	6,000	**7,300**	2,000	500	-200	-1,500
Barrabool Hills SC	3,800	0	-	3,800	3,600	4,300	**5,000**	1,400	200	-500	-1,200
Shannon Ave (Newtown)	4,500	400	-	4,900	4,000	4,500	**5,400**	1,400	900	400	-500
Ocean Grove (Marketplace)	5,700	0	1,500	7,200	5,200	11,200	**13,200**	8,000	2,000	-4,000	-6,000
Vines Rd	3,100	100	-	3,200	2,700	3,100	**3,600**	900	500	100	-400
Fyansford	2,300	0	9,500	11,800	1,900	3,900	**5,200**	3,300	9,900	7,900	6,600
Grovedale Central	2,500	200	-	2,700	2,200	2,500	**3,100**	900	500	200	-400
Dorothy St	1,800	0	-	1,800	1,600	1,600	**2,000**	400	200	200	-200
Ash Rd	1,600	200	-	1,800	1,300	1,400	**2,000**	700	500	400	-200
Rosewall	1,700	0	1,100	2,800	1,700	2,400	**3,000**	1,300	1,100	400	-200
Jetty Rd	0	0	6,500	6,500	0	0	**3,300**	3,300	6,500	6,500	3,200
Warralily	0	0	6,000	6,000	0	1,500	**3,300**	3,300	6,000	4,500	2,700
Lara W	0	0	4,700	4,700	0	500	**600**	600	4,700	4,200	4,100
Armstrong Creek W	0	0	3,000	3,000	0	0	**1,400**	1,400	3,000	3,000	1,600
Horseshoe Bend NE	0	0	7,000	7,000	0	0	**3,400**	3,400	7,000	7,000	3,600
Kingston Downs	0	0	4,700	4,700	0	1,500	**2,300**	2,300	4,700	3,200	2,400
Local	69,500	5,900	11,800	87,200	58,100	65,500	**84,800**	26,700	29,100	21,700	2,400
Homemaker	206,400	9,500	55,800	271,700	162,900	215,700	**291,400**	128,500	108,800	56,000	-19,700
Moorabool/Fyans (Moorabool St)	42,500	3,100	-	45,600	33,300	39,200	**50,800**	17,500	12,300	6,400	-5,200
Moorabool/Fyans (West Fyans St)	13,300	400	-	13,700	10,500	12,400	**15,900**	5,400	3,200	1,300	-2,200
Moorabool/Fyans (Gregory Ave)	2,500	0	-	2,500	2,000	2,300	**2,800**	800	500	200	-300
Surf Coast Hwy	18,000	2,000	-	20,000	15,000	19,100	**24,500**	9,500	5,000	900	-4,500
Geelong Gateway	31,500	2,100	-	33,600	24,500	28,400	**37,400**	12,900	9,100	5,200	-3,800
Geelong W	20,300	1,800	-	22,100	15,800	18,600	**24,000**	8,200	6,300	3,500	-1,900

Waurn Ponds	31,900	0	-	31,900	25,100	30,500	**39,000**	13,900	6,800	1,400	-7,100
Melbourne Rd (Norlane)	23,500	100	-	23,600	18,400	21,200	**26,900**	8,500	5,200	2,400	-3,300
Melbourne Rd (North Geelong)	14,300	0	-	14,300	11,400	13,000	**16,400**	5,000	2,900	1,300	-2,100
Sinclair St	3,200	0	-	3,200	2,600	3,100	**4,500**	1,900	600	100	-1,300
Anakie Rd	5,500	0	-	5,500	4,300	5,000	**6,300**	2,000	1,200	500	-800
Bacchus Marsh Rd	0	0	18,500	18,500	0	6,900	**9,000**	9,000	18,500	11,600	9,500
Leopold Central	0	0	12,300	12,300	0	9,400	**12,900**	12,900	12,300	2,900	-600
Armstrong Creek	0	0	25,000	25,000	0	6,600	**21,000**	21,000	25,000	18,400	4,000
Dispersed Bulky Goods	78,500	1,900	0	80,400	61,200	72,300	**94,700**	33,500	19,200	8,100	-14,300
Bellarine Hwy (Newcomb)	18,900	1,300	-	20,200	15,200	17,000	**21,700**	6,500	5,000	3,200	-1,500
Settlement Rd/Breakwater Rd	33,000	200	-	33,200	25,500	31,100	**41,100**	15,600	7,700	2,100	-7,900
Smithton Grv	2,500	0	-	2,500	1,900	2,400	**3,500**	1,600	600	100	-1,000
Drysdale Homemaker	2,100	400	-	2,500	1,700	2,000	**2,800**	1,100	800	500	-300
Mackey St	11,200	0	-	11,200	8,600	10,000	**12,900**	4,300	2,600	1,200	-1,700
Sharon Crt	10,500	0	-	10,500	8,100	9,500	**12,400**	4,300	2,400	1,000	-1,900
Princess Hwy	300	0	-	300	200	300	**300**	100	100	0	0

8.2 Broad issues across Greater Geelong

The discussion so far in this Section has concentrated on the underlying market forces which will govern retail supply in different parts of the City.

While basic supply and demand will be pre-eminent factors in the development of Greater Geelong's retail system, it is equally clear that market forces do not operate in vacuum. They are conditioned within a policy and planning framework which considers the ***externalities*** of retail investment as well the financial viability of shopping centre development in different locations. As discussed in Section 3, these externalities relate to travel and transport impacts, the continuity of retail service levels in specific neighbourhoods and local amenity effects, amongst others.

Uncertain distribution of population growth

During the preparation of this Retail Strategy the then Minister for Planning rezoned 1100 hectares of land in Lovely Banks to Urban Growth Zone. Planning for this growth area is in the early stages. It is anticipated that the predominant land use in this area will be residential with the potential to accommodate in excess of 20,000 people. This area has been omitted for the purposes of this Retail Strategy as the timing and phasing of the development is unclear. Future reviews of the Retail Strategy will include Lovely Banks in the analysis.

Significant infill and growth area development will drive demand for new retail opportunities across Greater Geelong. This provides opportunities not only for the development of new centres and floorspace, but also a chance for increased demand to support underperforming floorspace within existing centres.

Poor configuration of supermarkets and bottleshops

These represent the most profitable retail category in Geelong, but are also subject to fierce competition between Coles, Woolworths, ALDI and IGA.

In many centres across Greater Geelong, expenditure is largely captured by these two store types, with most other shops struggling to draw trade. In some cases, the supermarket and bottleshop is isolated in the one building, away from the rest of the centre.

Council needs to consider the option of taking a more pro-active stance on the design of supermarket based centres to mitigate these adverse trends. As part of the development assessment process, supermarket proponents could be encouraged to provide a greater contribution to the centres that they locate in. Council could promote development of ancillary floorspace beyond bottleshops, whilst reorienting relevant buildings to ensure enhanced permeability within the centre.

Poor trading of department stores

In Geelong, the presence of Discount Department Stores has a significant impact on the attractiveness of a centre. Consultation with retailers has highlighted that many DDS stores in Geelong are trading poorly. Noting a recent global trend which has seen such stores struggle in the face of online retail, it will be interesting to observe whether DDS anchored centres will still be as successful in drawing trade.

Whilst many of these DDS based centres such as Corio, Waurn Ponds and Belmont possess significant numbers of specialty stores, it remains to be seen whether those shops can evolve an experience and service based retail offering to see them differentiated from online options.

If the DDS based centres begin to struggle this presents a further option for Council to reinstate or reinforce the pre-eminent role of Central Geelong in the City's retail system. In this case the emphasis should be on creating a point of difference based on services, hospitality and omni-channelling (see below).

Impact of online retail and the omni-channel

In Section 4 we outlined the top three advantages of both online and store based retailing. It is clear that both forms of retailing possess their distinct advantages. Any retailer that focuses on one and not the other is not maximising potential revenue sources.

A limited retail ecology

Successful shopping centre networks typically feature strong representation from across the 5 retail systems, including what might be called 'slow retailing' found in traditional High Streets and cultural and tourism precincts (see Figure 53 and the discussion in Section 4).

In this context, Geelong can be seen to have a rather 'generic' offer. To date, the focus in the City's retail economy has been on attracting big brands in all segments (Supermarket, Bulky goods, DDS, etc.). This entrenches a limited ownership model and a shallow retail ecology (see text box). Arguably, Central Geelong also falls into this pattern, which further undermines it (that is, the CBD is no different or better than sub-regional centres).

FIGURE 53 RETAIL SYSTEMS

Source: SGS Economics & Planning Pty Ltd

Allied to this observation is that Geelong boasts a very small speciality retail segment. It is these smaller local retailers that truly 'create jobs' and reinvest back into the community.

The hospitality and arts/entertainment sector will be one of the fastest growing sectors of the retail economy. Specific strategies are required to develop these sectors in Geelong. They have quite different drivers to the conventional supermarket/DDS/Bulky goods retail market.

Text box – 'retail ecology'
The 'retail ecology' of centre relates to the spread and diversity of ***both*** *traders and property owners in an activity centre. A diversity of property owners, including the potential for owner-traders to establish themselves in a local market facilitates the formation of a distinctive character or brand, which can be distinguished from the generic and predictable offering of so called 'big box' centres or 'malls'. Mall developers are increasingly looking at ways they can replicate a "High Street" atmosphere in their centres, but are inherently incapable of the idiosyncratic innovation found in multi owner centres. The reference to 'ecology' is drawn from the natural sciences. By way of example, a pine planation (read mall) may offer the same basic services as a regenerative native forest (multi-owner centre) in terms of cyclical logging, but the latter will support a range of additional values (habitat, leisure etc) because of its bio-diversity.*

Geelong has limited strip shopping areas like those elsewhere in the State that have witnessed a flourishing niche retail, cultural retailing and hospitality scene. Innovative place making strategies will be required to overcome this.

Tourism retailing presents a unique challenge for Geelong in this regard. Much of the Bellarine is heavily tourism focussed. These have very big fluctuations in population during the course of the year. While this has been recognised for many years, we are not aware of a successful track record in building a retail economy that can prosper from a summer peak and winter low. A strategic approach to hospitality development and cultural tourism is likely to be important in this area.

The relationship between retail system development and employment

Retail employment occurs differently between large and small retailers. Larger stores tend to employ more staff for every dollar of turnover due to longer operating hours and critical mass, but smaller shops are likely to develop the all-round entrepreneurial skills of its staff and the business owners themselves.

Recent trends have seen younger workers being replaced by automation, whilst online retail is resulting in more freight and logistics related employment. The latter has led to more opportunities in industrial areas – which tends to present better work conditions for employees than those observed in retail stores. Freight and logistics businesses are often occupying the land of ex-manufacturing businesses.

The implication is that from a community and economic development perspective, Geelong will be better off if it encouraged more slow and cultural retailing which tends to employ individuals in a manner which encourages entrepreneurialism and innovation (see Figure 53). These forms of retailing also generate positive externalities in the form of better social interaction (through cafes for example) and more opportunities for cultural engagement (through artisan activities for instance). The profits from such enterprises are also more likely to remain in Geelong, compared to the major chains in fast retailing which ship their profits back to Melbourne or overseas/Interstate.

Strategic management of retail SMEs

The consultation and site audits revealed that many retailers around Greater Geelong appear to lack a customer focus and marketing skills. Whilst some traders employ sophisticated research techniques and training programs for staff, the majority appear to be struggling for ideas and inspiration.

This is problematic because traders now need to work harder than ever to remain competitive. An option for Council is to provide enhanced support through training programs and networking events – perhaps facilitated through economic development and traders associations.

Sufficiency of land for bulky goods retailing

As shown above, bulky goods floorspace has been found to be generally over-supplied across the municipality. Homemaker Centres and Dispersed Bulky Goods locations have proliferated across the municipality. Yet the case for restricting this floorspace is not clear – ex-industrial sites along major arterial roads are struggling to attract other employment generating uses, whilst residential development is not a priority given there are large swathes of greenfield land available. It is possible that some locations could attract suburban offices in the longer term – although this needs to be researched and balanced with the need to attract office tenants into vacant floorspace in Central Geelong.

Nonetheless, there is no pressing need for extra bulky retail floorspace in most areas. The exception may be in some parts of the Bellarine Peninsula, where residents need to travel significant distances to reach the nearest Homemaker Centre.

Some distinction could also be made between high and low density restricted retail, with the former including tableware, small furniture pieces and manchester. Those goods can often be accommodated on the edge of Activity Centres, strengthening those centres in the process. The major benefit is to concentrate more activities around Activity Centres. This is important because while broadly Bulky Goods are separate, on the margin they do compete with 'general retail' and this is increasing as bottle shops, Harvey Normans (which sells electrical), etc. locate in these 'Bulk Goods centres'.

Balancing the benefit of concentrating retailing activities into planned locations is the potential loss of medium density residential land adjacent to an activity centre.

Land ownership

It was asserted during consultations that some incumbent retailers may buy large sites to block entry from competitors such as Aldi or IGA in the key parts of a centre. This, it was further alleged, is particularly the case in greenfield locations.

The major long term competitive advantage of main streets over enclosed malls is the ability for those centres to develop organically with individual land owners and businesses generating a form of 'organised chaos' which creates a unique identity for the centre. If major supermarkets are able to hold onto large sites and develop their preferred model, the centre can often 'lose its identity even before it gains one'.

Impact of 2013 zone reforms and the future of floorspace caps in Geelong

New **Commercial 1 and Commercial 2 Zones** were introduced into the Victoria Planning Provisions by Amendment VC100, gazetted on 15 July 2013. In all cases, land zoned Business 1, Business 2 and Business 5 was converted to the Commercial 1 Zone. Land zoned Business 3 and Business 4 was converted to the Commercial 2 Zone.

The new Commercial 1 Zone (C1Z) was intended to "create vibrant mixed use commercial centres for retail, office, business, entertainment and high density residential uses". In contrast to the previous business zones, the Commercial 1 Zone removes the need for approvals for certain activities and removes certain floor space restrictions, notably:

- **Dwellings** are as-of-right, provided frontage at ground floor level does not exceed two metres;
- **Accommodation** uses (other than a correctional facility) are as-of-right, allowing uses including aged care facilities, group accommodation, residential colleges, residential villages and hotels;
- **Office** use is as-of-right and floor space restrictions are removed; and
- **Retail Premise** use is as-of-right and the previous floor space restrictions on retail premise use are removed.

The following table details the changes in question.

FIGURE 54 BUSINESS 1, 2 AND 5 AND NEW COMMERCIAL 1 ZONE COMPARED

Use:	B1Z	B2Z	B5Z	C1Z
Dwelling	Frontage at ground floor level must not exceed 2 metres		Must not be in the same building as an office	Frontage at ground floor level must not exceed 2 metres
Accommodation (excl. Dwellings)				
Retail (Shop)	Floor area must not exceed specified amount in schedule	Floor area must not exceed specified amount in schedule		
Retail (Other)				
Retail (Restricted)				
Supermarket	Floor area must not exceed specified amount in schedule	Floor area must not exceed specified amount in schedule		
Food and Drink Premises				
Office	Floor area must not exceed specified amount in schedule Frontage at ground floor level must not exceed 2 metres	Floor area must not exceed specified amount in schedule	Must not be in the same building as a dwelling	
Educational	Frontage at ground floor level must not exceed 10 metres Must not be a primary or secondary school			
Industry	Must not be a purpose listed in Clause 52.10	Must not be a purpose listed in Clause 52.10		Must not be a purpose listed in Clause 52.10

KEY:	
	Use is as-of-right
	Use requires permit
	Use is prohibited

The new Commercial 2 Zone aims to "develop commercial areas for offices and appropriate manufacturing and industrial uses that do not affect the safety and amenity of adjacent sensitive uses". Much like the Commercial 1 Zone, several uses that previously required a permit are now as-of-right. More specifically:

- **Accommodation** uses (other than dwellings and correctional facilities) are now permissible. These uses include aged care facilities, group accommodation, residential colleges, residential villages and hotels;
- **Office** use is as-of-right and floor space restrictions are removed (previously office floor space was dictated by the schedule to the zone or could not exceed 500 sqm);
- **Food and Drink Premises** (up to 100 sqm) and **Restricted Retail** uses are as-of-right; and
- **Supermarkets** up to 1,800 sqm (which were prohibited in Business 3 and 4 Zones) are as-of-right on sites possessing access to main roads, and can be adjoined by up to 500 sqm of additional shop use

The changes are summarised in Figure 55.

FIGURE 55 BUSINESS 3 AND 4 AND NEW COMMERCIAL 2 ZONE COMPARED

	B3Z	B4Z	C2Z
Dwellings			
Accommodation (excl. Dwellings)			
Retail (Shop)			Must adjoin a supermarket and not exceed 500 sqm
Retail (Other)			
Retail (Restricted)			
Supermarket			Leasable floor area must not exceed 1,800 sqm, site must possess main road access
Food and Drink Premises			Leasable floor area must not exceed 100 sqm
Office	Floor area must not exceed specified amount in schedule	Leasable floor area must not exceed 500 sqm	
Educational	Must not be a primary or secondary school	Must not be a primary or secondary school	
Industry	Must not be a purpose listed in Clause 52.10	Must not be a purpose listed in Clause 52.10	Must not be a purpose listed in Clause 52.10

KEY:

- Use is as-of-right
- Use requires permit
- Use is prohibited

Reformed **Industrial zones** were also introduced into the Victoria Planning Provisions and planning schemes by Amendment VC100, gazetted on 15 July 2013.

The significant changes to the three industrial zones involved the uses of offices and supermarkets. Offices are now permitted uses in all three industrial zones with the maximum floor area specified in a schedule. Previously, office developments in industrial zones were limited to 500 sqm.

Additionally, the Industrial 3 Zone has now been amended to allow supermarkets of up to 1,800 sqm as-of-right on sites with main road access. These can be adjoined by up to 500 sqm of additional shop use, also as-of-right. Previously both uses were prohibited in Industrial 3 Zones.

Allowing supermarkets as-of-right in the Commercial 2 and Industrial 3 zones was intended to remove a significant 'barrier to entry' for the smaller supermarket franchises and independent retailers in the established parts of Melbourne. The primary intention of these changes was to boost retail competition.

These changes were largely targeted at the built-up areas of Melbourne, as these were seen to have 'robust enough retail hierarchies'[11]. **Retail floorspace caps** were retained within the Urban Growth Zone and in non-metro areas. This underscored the Government's continuing recognition of the need for a planned centre network in Melbourne's growth corridors and those parts of Victoria with 'vulnerable hierarchies'.

Arguably, CoGG has similar circumstances to metro Melbourne in terms of the general policy desire to boost competition, especially in the grocery trade. However, Geelong has the option of retaining

[11] Geoff Underwood – Chair of Zone Reform Committee, stated in answer to audience questions at a Property Council briefing held on 5 June 2013

floorspace caps which, if adopted, could play a part in managing out-of-centre development (see discussion below).

Managing advance investment

While the analysis in this report measures the current and prospective retail demand and supply balance in Greater Geelong according to industry norms, particularly with reference to 'standard' RTDs, private investors may well have their own reasons for 'running ahead' of nominal thresholds for new shopping centre developments. The question arises as to whether and when Council should intervene in these private sector decisions to invest early.

On the one hand, such decisions offer catchment communities early access to an enhanced retail offering, potentially bringing lower prices and more choice. In some circumstances, however, early development of a centre, even if located within the parameters of the planned hierarchy, can have unwanted side effects, including stunted development of competing centres in the wider catchment.

Broadly speaking, Council's deliberations on this issue, as in all other planning questions should be subject to the net community benefit test. This would appraise whether the benefits to the community as a whole from the advance investment going ahead would outweigh the costs compared to the outcome from a reasonable base case where investment occurs 'on schedule' as per the supply forecasts set out earlier in this Section.

There are varying interpretations about how the net community benefit test might be applied (see below). But one thing is certain; a clear planned hierarchy including time bounded floorspace caps assist greatly in specifying the base case against which an advance retail investment might be appraised.

Application of the net community benefit test

An approach to application of the net community benefit test based on standard cost benefit analysis is detailed in Section 3.4 commencing on page 23. It should be understood that while the term 'net community benefit' is used liberally in discussions about the merits of particular retail investment proposals, there is, as yet, no consensus in planning circles – including Planning Panels and VCAT – about how this concept can be applied consistently.

This said, the method advanced in this report is gaining currency in key decision making forums – see, for example, the PPV report on Stonnington Am C172 which, amongst other things, proposed a novel 'vertical zoning' approach to the question of maintaining a rich employment mix in the Chapel Street Activity Centre as it undergoes rapid redevelopment (http://www.stonnington.vic.gov.au/residents-and-services/planning/planning-scheme-amendments/c172---chapel-street-activity-centre-permanent-planning-controls/).

It is also noteworthy that the 2013 *Inquiry into the Regulatory Impact Statement (RIS) Process* undertaken by the Legislative Council Environment and Planning Legislation Committee (Report No. 2, November 2013) concluded that the process for consideration of planning scheme amendments (and, by implication, development approvals) should be amended to require the preparation of **rigorous cost benefit analysis**, as occurs in the state's RIS system. More specifically, the Committee recommended that:

> *"That the Minister for Planning, in consultation with the Victorian Competition and Efficiency Commission, amend Ministerial Direction 11 (Strategic Assessment of Amendments) to require a cost-benefit analysis for significant changes to planning schemes." (Recommendation 13, page 60)*

The findings and recommendations of the Legislative Council Environment and Planning Legislation Committee underscore the appropriateness of using cost benefit analysis to test the net community benefit merits of both overarching retail strategies, and incremental decisions regarding retail proposals in the context of those strategies.

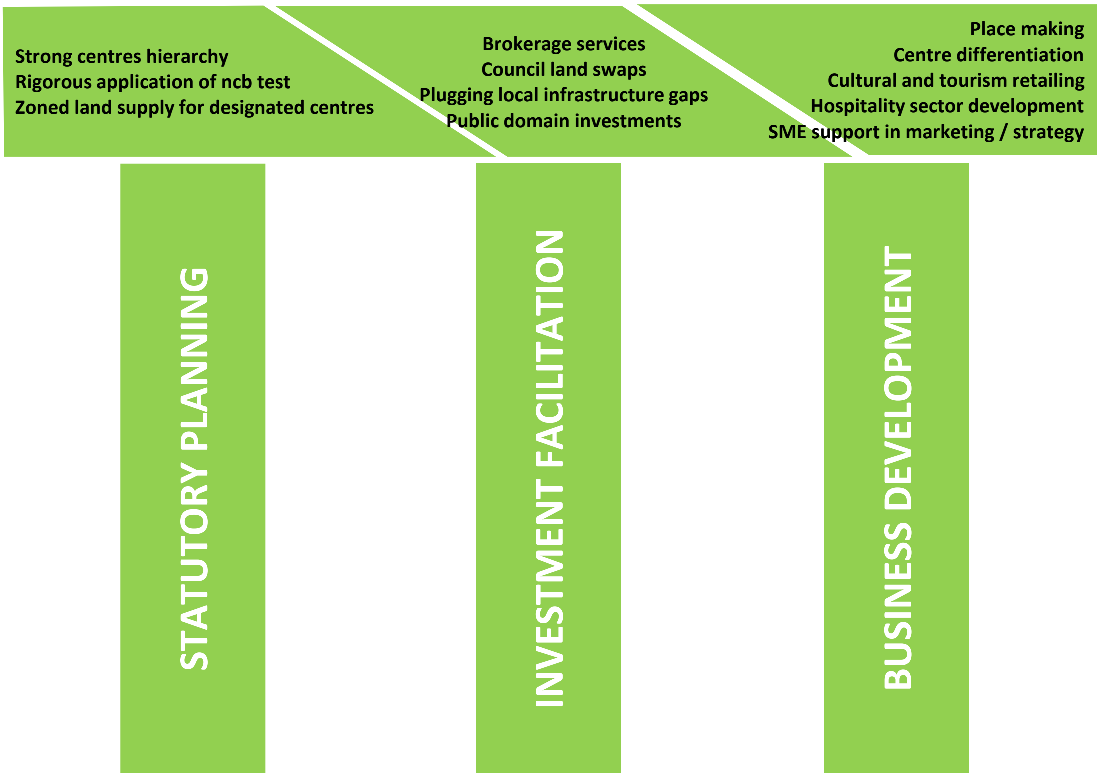
This represents a strong endorsement of the assessment methodology set out in Section 3.4.

8.3 Creating a stronger retail system in Greater Geelong

Our conclusion from the analysis of demand and supply and this review of key issues facing retailing in Geelong is that creation of a stronger system which delivers better outcomes for the community will rest on three pillars.

Firstly, there needs to be an unambiguous (and exciting) vision embedded in the planning scheme and this must be backed by decision rules which are rigorously based, transparent and readily understood by both decision makers (Council and review bodies) and development proponents. This we call the **statutory planning pillar**.

FIGURE 56 BUILDING A BETTER RETAILING SYSTEM IN GREATER GEELONG



Source: SGS Economics & Planning Pty Ltd

An **investment facilitation pillar** is also required. Local property fragmentation, poor knowledge of opportunities in the property sector and localised gaps in infrastructure can stand in the way of welcome investment in the retail hierarchy. While Council is unlikely to return to the role of a risk taking investor in retail developments, it can play an important part in facilitating development in line with its preferred hierarchy. It can broker discussions between key property owners, engage in strategic land swaps and tactically deploy local infrastructure spending (on roads, car parks and the like) to release latent development potential. Moreover, it can ensure that local zoned land is sufficient for the planned / desired expansion of centres.

The third pillar relates to **business development**. This concerns improved trading performance on the part of shopping precincts and tourism destinations across the City achieved through better marketing strategies and more effective place making. Again, Council can play a facilitation role in bringing traders together and helping them develop cohesive promotional strategies. These would feature strong brand or thematic differentiation for the centre in question, a diversified mix of events, plugging of major gaps in the local retail offer and targeted investment in local infrastructure.

The principal focus of this report is the statutory planning pillar. We now turn to the strategic directions which might underpin operational policy in this area.

8.4 Strategic directions for implementation via the planning scheme

In addressing the strategic directions implied by the research and analysis compiled in this and previous sections of the report, it is important to confirm certain definitions and constraints which will apply to any statutory planning response to retail issues in Greater Geelong. Of particular relevance are:

- Confirmation of a working definition of 'retail centre'
- Recognition that the CoGG has already witnessed considerable retail investment outside of the planned hierarchy of activity centres, and
- Acknowledgement that, under the VPPs, Council's capacity to direct and shape the pattern of retailing in the city has limits.

Defining retail centres

Any place that transacts significant retail sales in Geelong, regardless of whether these are occurring in planned or designated 'shopping centres' or 'activity centres' will affect gravitational flows of expenditure and the competitive balance between traders across the City. Therefore, all places that accommodate significant retail sales must be taken into account in framing the City's retail strategy, though different assessment rules may be applied as successive development proposals come before Council for approval.

For the purposes of the discussion in this report, a 'retail centre' is any place where retail transactions take place for household goods and services and where one or more of the following conditions apply:

- The retail activity is lawful under all relevant statutes including the Planning and Environment Act
- The location accommodates at least one dedicated shop, and
- The total floor space of the dedicated shops exceeds 500 m^2 (this is a *nominal* limit to signify a significant concentration of shops or sales activity).

The boundary of any such 'retail centre' will be given by those contiguous land parcels into which the existing or planned shops might lawfully expand *without* the need for a Planning Scheme Amendment.

It should be noted that a place can be a 'retail centre' without being an 'activity centre'. The latter will typically host a range of other community facilities and services beyond shopping.

When we refer to 'out-of-centre' retailing in this report, we mean projects which are not consistent with the ***planned*** hierarchy of activity centres and which are not permissible 'as of right'.

There is already significant retail activity occurring outside the 'activity centres' designated in CoGG's current retail hierarchy (2006). This includes shops distributed through industrial and commercial areas which have occurred on an 'as of right' basis or through successive discretionary approvals by the current and past Councils.

Scope of statutory controls

In developing and implementing its retail strategy, Council must work within the VPPs. These place inherent limits on the extent to which Council might differentiate its approach to retail development management compared to other municipalities.

We have already discussed how the previous State Government moved to dilute the powers of Councils to direct retail investment by rationalizing the commercial and industrial zones in the VPP. These reforms removed floorspace caps in designated activity centres in the Melbourne metro area (but not in regional areas, including Geelong). They also enabled 'as of right' land use for smaller supermarkets in industrial and other non-activity centre locations under certain conditions. These latter changes also apply in CoGG.

In managing future retail investment in Geelong, Council can continue to apply floorspace caps in its designated activity centres (which we recommend), but must contend with the continuing possibility of scattered and opportunistic development of retail in commercial and industrial zones, which, as noted, would only be limited by the floorspace caps embedded in the VPP.

The State Government's reform of the VPP has diminished the efficacy of floorspace caps in CoGG, but, in our view, has not rendered them redundant. Moreover, the net community benefit test remains valid within whatever scoping rules the State Government may wish to put in place.

The imperative to protect the core retail hierarchy

As discussed in Sections 2 and 3, a strong retail hierarchy, particularly a strong CBD, together with robust Sub-regional (Belmont, Leopold, Waurn Ponds, Corio SC and Armstrong Crk TC) and Town Centres (Lara, Ocean Gve, Drysdale, Barwon Heads, Portarlington and St Leonards), is essential to the compact development of the City as a whole. These centres provide the nuclei for current and future concentrations of higher density housing and community facilities. Moreover, confining higher order stores, or combinations of stores, to these designated locations will ensure that residents, workers and visitors in CoGG enjoy excellent access to retail services at minimal transport cost both to shoppers and to the environment.

Any retail strategy should ensure that the retail hierarchy – particular in these higher order segments – is strengthened and maintained.

Protecting the retail hierarchy, particularly in the upper tiers which are so critical to compact urban development across the City, means the avoidance of outright out-of-centre development which directly competes with central Geelong, a sub-regional centre or a Town Centre. It also means avoiding growth in, say, a sub-regional centre to the point where it diverts significant trade and vitality from Central Geelong.

As we now explain, floorspace caps can play an important role in protecting the retail hierarchy.

Scope of statutory controls and the role of floorspace caps

Until now, CoGG's floorspace caps have been applied selectively and opportunistically. Current floorspace caps are typically based on the size of an existing centre or a Planning Scheme amendment proposal. This currently enables Council to require planning permits for a shop if a centre is wanting to expand. This gives some control over the size of a centre even where a re-zoning application is not proposed.

While current arrangements give some protection to the hierarchy in some locations, it is not consistent across the City. Our view is that floorspace caps should be used to make it clear to development proponents just what the role and function of a given centre is in the hierarchy. The floorspace caps would relate to the nominated ranges in the retail hierarchy, and could include, for example:

- Geelong CBD; **no cap** (as additional investment could be accommodated without threat to the hierarchy).
- Sub-regional and specialised; **Waurn Ponds – 50,000 m^2**, **Belmont- 39,000 m^2, Corio - 36,000 m^2, Armstrong Creek - 36,000 m^2** , **Pakington Street – 34,000 m^2** and **Leopold – 19,000 m^2** (all excluding bulky goods and hospitality). This takes into account supportable floorspace for 'shops', that is, excluding hospitality and bulky goods (see Table 15 below) and our view that a centres beyond the nominated sizes will begin to challenge the dominance of the Geelong CBD. Note that for those centres with a largely 'High Street' format, such as Belmont, the proposed cap still applies. Whilst compliance with the cap would be monitored on an incremental basis with successive development applications, the primary purpose of the cap would be to prevent 'step changes' in the role of the centre. These would most likely be signified by proposals to add substantial department stores and the like, not by a procession of small floorspace additions.
- Town centres; **no cap** (as additional investment could be accommodated without threat to the hierarchy).
- Neighbourhood Centres; between **2,000 m^2** and **13,000 m^2**, depending on the projected supportable floorspace demand for shops in the centre. The following table presents the recommended application of floorspace caps across the nominated Neighbourhood Centres. These are also based on supportable floorspace for shops as set out in Table 15.

TABLE 14 PROPOSED FLOORSPACE CAPS – NEIGHBOURHOOD CENTRES

Neighbourhood Centre	Proposed floorspace cap for 'shops' as defined in the VPP (m^2)
Shannon Ave (Geelong West)*	13,000
Ocean Grove (Marketplace)	11,000
Pakington St (Newtown)	6,000
Newcomb Central	9,000
Bellarine Village	8,000
Highton	8,000
Bell Post SC	7,000
Geelong East	7,000
Separation St	4,000
Shannon Ave (Newtown)	4,000
Fyansford	4,000
Barrabool Hills SC	5,000
Vines Rd	4,000
Horseshoe Bend NE	6,000
Jetty Rd	6,000
Warralily	6,000
Grovedale Central	3,000
Rosewall	3,000
Kingston Downs	5,000
Dorothy St	2,000
Ash Rd	2,000
Armstrong Creek W	3,000
Lara W	5,000

TABLE 15 ANALYSIS OF SUPPORTABLE FLOORSPACE – SHOPS (EXCLUDING HOSPITALITY AND BULKY GOODS)

Precinct	Floorspace supply				Projected Floorspace Demand				Total supply less demand		
	Existing Floorspace in 2014	Vacant Floorspace	Planned new/add floorspace	Total	2014	2021	2031	2014-31	2014	2021	2031
Regional	103,500	25,200	-	128,700	90,300	105,700	136,100	45,800	38,400	23,000	-7,400
Central Geelong	103,500	25,200	-	128,700	90,300	105,700	136,100	45,800	38,400	23,000	-7,400
Sub-Regional	101,900	1,400	48,900	152,200	92,300	122,100	167,100	74,800	59,900	30,100	-14,900
Belmont	31,100	1,400	-	32,500	28,000	32,100	39,000	11,000	4,500	400	-6,500
Waurn Ponds	38,100	0	-	38,100	34,700	40,900	49,600	14,900	3,400	-2,800	-11,500
Corio SC	27,400	0	-	27,400	24,700	28,500	35,100	10,400	2,700	-1,100	-7,700
Leopold	5,300	0	13,400	18,700	4,900	10,500	13,700	8,800	13,800	8,200	5,000
Armstrong Creek	0	0	35,500	35,500	0	10,100	29,700	29,700	35,500	25,400	5,800
Specialised	28,500	2,000	-	30,500	24,800	28,000	33,200	8,400	5,700	2,500	-2,700
Pakington St	28,500	2,000	-	30,500	24,800	28,000	33,200	8,400	5,700	2,500	-2,700
Town	39,800	3,700	4,700	48,200	35,600	41,400	50,900	15,300	12,600	6,800	-2,700
Ocean Grove	12,200	1,100	-	13,300	10,800	10,900	12,400	1,600	2,500	2,400	900
Drysdale	8,000	200	4,700	12,900	7,200	10,100	13,700	6,500	5,700	2,800	-800
Lara	10,300	400	-	10,700	9,400	10,800	13,400	4,000	1,300	-100	-2,700
Barwon Heads	3,700	1,100	-	4,800	3,200	3,700	4,000	800	1,600	1,100	800
Portarlington	3,600	800	-	4,400	3,200	3,700	4,600	1,400	1,200	700	-200
St Leonards	2,000	100	-	2,100	1,800	2,200	2,800	1,000	300	-100	-700
Neighbourhood	68,700	1,900	38,800	109,400	62,100	79,800	101,900	39,800	47,300	29,600	7,500
Shannon Ave (Geelong West)	11,000	0	-	11,000	9,800	11,000	12,800	3,000	1,200	0	-1,800
Separation St	2,800	400	-	3,200	2,400	2,700	3,200	800	800	500	0

Pakington St (Newtown)	5,000	300	-	5,300	4,200	4,800	5,600	1,400	1,100	500	-300
Highton	6,000	100	-	6,100	5,400	6,000	7,100	1,700	700	100	-1,000
Newcomb Central	6,500	0	-	6,500	6,100	6,800	8,300	2,200	400	-300	-1,800
Geelong East	5,400	200	-	5,600	4,600	5,200	6,400	1,800	1,000	400	-800
Bellarine Village	6,100	0	-	6,100	5,700	6,400	7,800	2,100	400	-300	-1,700
Bell Post SC	5,300	0	-	5,300	4,900	5,600	6,700	1,800	400	-300	-1,400
Barrabool Hills SC	3,600	0	-	3,600	3,500	4,200	4,800	1,300	100	-600	-1,200
Shannon Ave (Newtown)	2,900	400	-	3,300	2,700	3,000	3,500	800	600	300	-200
Ocean Grove (Marketplace)	4,800	0	1,300	6,100	4,500	9,000	10,700	6,200	1,600	-2,900	-4,600
Vines Rd	2,600	100	-	2,700	2,300	2,600	3,100	800	400	100	-400
Fyansford	0	0	7,800	7,800	0	2,300	3,100	3,100	7,800	5,500	4,700
Grovedale Central	2,300	200	-	2,500	2,100	2,300	2,900	800	400	200	-400
Dorothy St	1,500	0	-	1,500	1,300	1,400	1,700	400	200	100	-200
Ash Rd	1,100	200	-	1,300	900	1,000	1,300	400	400	300	0
Rosewall	1,700	0	800	2,500	1,700	2,300	2,800	1,100	800	200	-300
Jetty Rd	0	0	5,500	5,500	0	0	0	0	5,500	5,500	5,500
Warralily	0	0	5,600	5,600	0	1,300	3,100	3,100	5,600	4,300	2,500
Lara W	0	0	4,400	4,400	0	500	600	600	4,400	3,900	3,800
Armstrong Creek W	0	0	3,000	3,000	0	0	1,400	1,400	3,000	3,000	1,600
Horseshoe Bend NE	0	0	6,000	6,000	0	0	2,900	2,900	6,000	6,000	3,100
Kingston Downs	0	0	4,400	4,400	0	1,400	2,100	2,100	4,400	3,000	2,300
Local	49,800	5,900	8,260	63,960	42,300	47,400	60,700	18,400	21,660	16,560	3,260
Homemaker	47,600	9,500	0	57,100	40,700	47,900	59,300	18,600	16,400	9,200	-2,200
Moorabool/Fyans (Moorabool St)	7,600	3,100	-	10,700	6,400	7,300	9,000	2,600	4,300	3,400	1,700
Moorabool/Fyans (West Fyans St)	3,100	400	-	3,500	2,600	3,000	3,700	1,100	900	500	-200
Moorabool/Fyans (Gregory Ave)	700	0	-	700	600	600	800	200	100	100	-100

Surf Coast Hwy	8,900	2,000	-	10,900	8,000	10,200	12,700	4,700	2,900	700	-1,800
Geelong Gateway	4,300	2,100	-	6,400	3,700	4,200	5,300	1,600	2,700	2,200	1,100
Geelong W	3,500	1,800	-	5,300	3,000	3,400	4,200	1,200	2,300	1,900	1,100
Waurn Ponds	8,100	0	-	8,100	6,800	8,100	9,900	3,100	1,300	0	-1,800
Melbourne Rd (Norlane)	3,400	100	-	3,500	2,900	3,300	3,900	1,000	600	200	-400
Melbourne Rd (North Geelong)	4,800	0	-	4,800	4,000	4,600	5,500	1,500	800	200	-700
Sinclair St	2,400	0	-	2,400	2,000	2,400	3,400	1,400	400	0	-1,000
Anakie Rd	800	0	-	800	700	800	900	200	100	0	-100
Bacchus Marsh Rd	0	0	0	0	0	0	0	0	0	0	0
Leopold Central	0	0	0	0	0	0	0	0	0	0	0
Armstrong Creek	0	0	0	0	0	0	0	0	0	0	0
Dispersed Bulky Goods	10,400	1,900	0	12,300	8,800	10,000	12,500	3,700	3,500	2,300	-200
Bellarine Hwy (Newcomb)	6,800	1,300	-	8,100	5,800	6,400	8,000	2,200	2,300	1,700	100
Settlement Rd/Breakwater Rd	2,900	200	-	3,100	2,400	2,900	3,500	1,100	700	200	-400
Smithton Grv	0	0	-	0	0	0	0	0	0	0	0
Drysdale Homemaker	700	400	-	1,100	600	700	1,000	400	500	400	100
Mackey St	0	0	-	0	0	0	0	0	0	0	0
Sharon Crt	0	0	-	0	0	0	0	0	0	0	0
Princess Hwy	0	0	-	0	0	0	0	0	0	0	0

Source: SGS Economics & Planning Pty Ltd

The floorspace caps can be cited in Council's policy as fixed limits on permissible development or as 'guidelines' to help decision makers assess the role and function of a given centre in a development assessment or rezoning situation. In either case, a new comprehensive floorspace cap policy as outlined above should replace the current ad hoc arrangements whereby some centres in the City have caps and others do not even though there is no material difference in the circumstances of the centres in question.

Nominating floorspace caps either as fixed limits or as guidelines might create an expectation amongst land owners that they can develop up to these quantums on an 'as of right basis'. We do not see this as problematic. Development up to these limits will not change the status of any given centre in the hierarchy, and, in our view, it is in the community's interest to encourage investment in line with the hierarchy.

On the other hand, some centres may not be able to realise development up to their nominated caps, because they are 'land locked'. However, future land amalgamations and rezonings cannot be ruled out. In any case, it is not problematic if these centres do not achieve their nominated upper limit in size. Their 'unused' demand will, in many cases, spill over into other designated centres which will simply grow faster.

Some unused demand may spill over into out-of-centre locations but, it should be noted, this would be a function of land limitations in the nominated host centre not of the floorspace cap per se. In this latter scenario, the net community benefit test would be applied taking into account that in the Base Case there would *not* be accommodation of the proponent requested floorspace within the existing hierarchy.

Flexibility at the Neighbourhood Centre level

While it is important that the overall integrity of the CoGG retail hierarchy is protected, it also needs to be recognised that the City's retail system must foster healthy competition for the day to day benefit of its residents, workers and visitors. Competition can come in the form of new centres or retail formats in locations not identified for these uses in the planning strategy ('out-of-centre developments').

By way of example, Aldi – the operators of a relatively novel retail format largely in the grocery and lower order household goods end of the market – has been actively exploring new market opportunities in several locations across the City.

Analysis shows that there is scope for further investment in neighbourhood level shopping facilities across the established parts of the City as households grow and their incomes increase. This additional demand is spread across broad geographies and, typically, is insufficient to support a modular increase in floorspace within existing neighbourhood centres. However, in combination, this demand may support a viable new facility in an out-of-centre location.

Whether such out-of-centre proposals at the neighbourhood level go ahead should be a matter of judging whether the benefits (principally improved retail competition and choice) outweigh the costs (additional travel and trade diversion from existing centres to the point where their viability is put at risk).

In our view, greater flexibility in the consideration of out-of-centre developments at the neighbourhood centre level is warranted on *risk management* terms. As these centres serve a local catchment, out-of-centre development is less likely to be damaging in terms of additional Vehicle Kilometres Travelled for retail services. Moreover, out-of-centre development at this level in the retail hierarchy *may* be less likely to cause serious externalities in terms of foregone opportunities for compact urban development (see Section 3). On the other hand, unduly restricting out-of-centre development at the neighbourhood centre level *could* have serious adverse consequences for competition and choice in Geelong's retail services.

This risk management framework should not be taken as a presumption that out-of-centre development will create a net community benefit. This would have to be rigorously demonstrated.

Level of control required over bulky goods development

In our view, similar flexibility in the approval of bulky goods projects is warranted.

Again, we stress that the proposed flexibility with respect to bulky goods development should not be unfettered. The proposed site and development must demonstrably 'work' with respect to the usual precinct planning parameters, including compatibility with surrounding land uses, avoidance or mitigation of local traffic conflicts, provision of sufficient parking, due consideration to streetscape continuity and Council's place-making objectives etc. These matters must not be compromised in the development assessment process.

However, beyond such criteria, SGS sees no compelling reason to limit bulky goods development in any candidate location. Our reasoning reflects a high level application of the net community benefit test. As we have noted, the industrial land on which any new bulky goods outlet is likely to locate will have a low opportunity cost for employment uses, given the expected surplus of such land in the City with the down-scaling of manufacturing and supply activities in the region.

Broadly speaking, bulky goods outlets have limited synergies with activity centre retailing. That is, they are unlikely to add significantly to footfall in such centres; typically, they feature single purpose shopping trips rather than multi-purpose visits to activity centres.

This means that the footloose development of bulky goods outlets is unlikely to undermine the activity centres hierarchy in the City unless the outlets in question were to feature a heavy emphasis on merchandise such as compact electricals, IT equipment and bulk foods, including liquor. In this latter case, this propensity for competition with activity centre retailing can be taken into account in the assessment of the development proposal, along the lines of a net community benefit test.

Thus, notwithstanding that there is already substantial opportunity for bulky goods development in Geelong, and the City is already well served in this regard, we see no reason on current evidence to arbitrarily constrain market initiatives and innovation in this aspect of retailing. However, there may be a warrant to revisit this conclusion following a more comprehensive review of employment land in CoGG. This would better gauge the costs that might attach to the infiltration of bulky goods retailing into such areas.

Three strategic directions

Against this background, a threefold strategic direction for the development of CoGG's retail development is proposed:

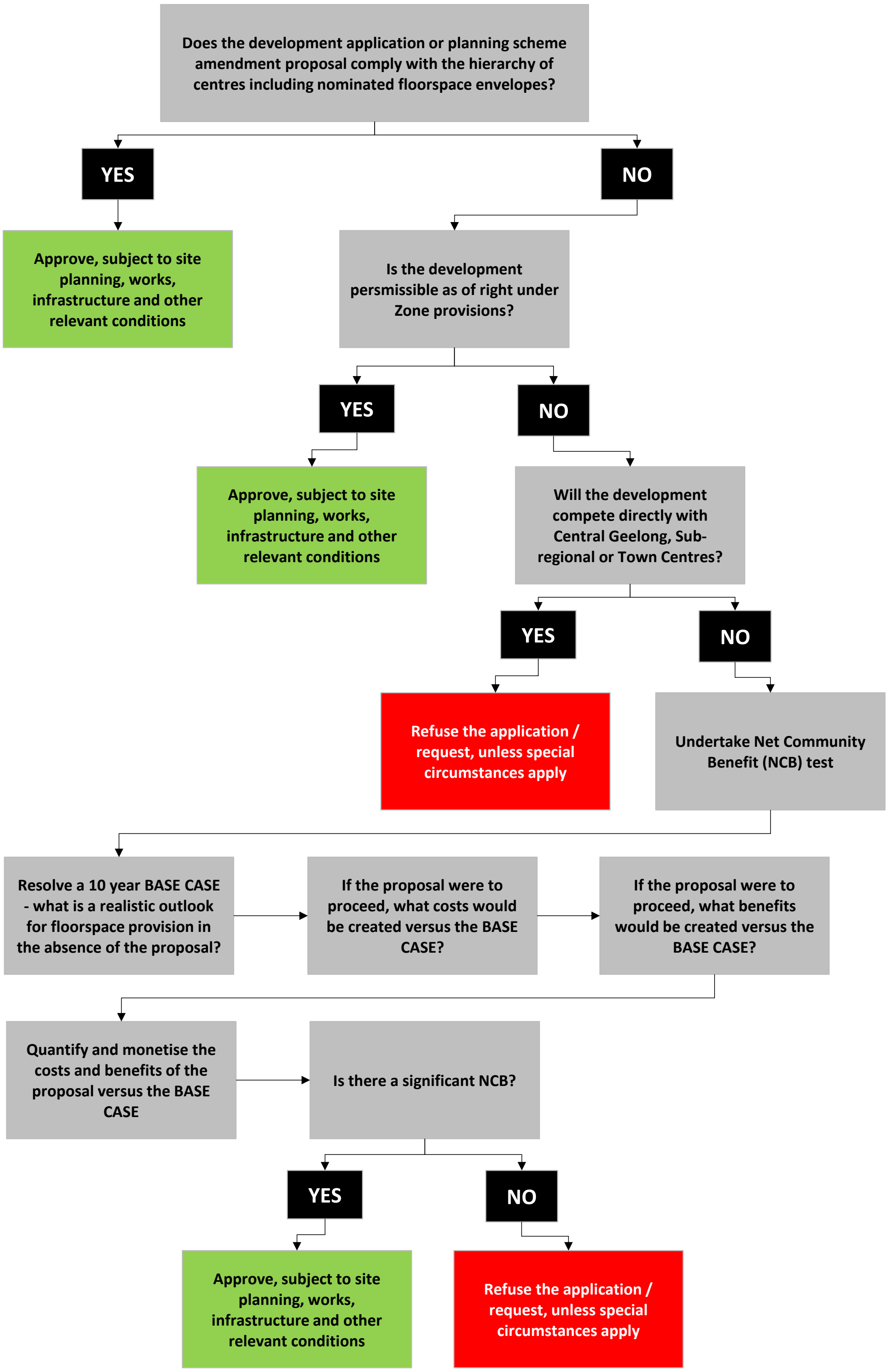
- **Direction 1** Continue the strong commitment to the retail hierarchy, with particular regard to maintaining the primacy of the Geelong CBD and the secondary and tertiary status of the Sub-Regional Centres and Town Centres.
- **Direction 2** Allow flexibility for out-of-centre development to take place within the Neighbourhood Centre level in the hierarchy, but subject to a rigorous net community benefit test.
- **Direction 3** Allow flexibility for bulky goods retailing to occur outside designated Homemaker Centres subject to appropriate resolution of any traffic, active transport, land use interface and place making issues, as well meeting the net community benefit test if the development in question comprises intensive retailing.

The key tools in implementing these strategic directions will be the floorspace caps or 'envelopes' for all designated centres as discussed earlier and a clear procedure for application of the net community benefit test. The principles underpinning the net community benefit test have been detailed earlier

(Section 3.4 on page 23). The decision tree for implementation of the net community benefit test is shown in Figure 57, below.

The accompanying volume – Greater Geelong Retail Strategy – sets out a vision for the development of the retail system in the municipality based on these three directions. It also details the principles and evaluation frameworks to guide Council decision making on successive development proposals.

FIGURE 57 THE NET COMMUNITY BENEFIT TEST WITHIN THE PLANNING ASSESSMENT PROCESS



Source: SGS Economics & Planning Pty Ltd

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