

PROPOSED RETAIL CENTRE,  
BLOOMFIELD

REVIEW of ECONOMIC IMPACT  
ASSESSMENT

Prepared for

ORANGE CITY COUNCIL

## Background

As requested, we have reviewed a report prepared by consultants Location IQ for James Richmark Pty Ltd. The report—*Bloomfield, Orange – Economic Impact Assessment*—is hereafter referred to as “the EIA”.

The EIA examines the need for, and impact of, a convenience retail centre development proposed as part of the overall Bloomfield mixed-use development site located on the western side of Forest Road opposite the existing Orange Health Service Precinct.

The proposed centre is planned to include the following retail elements:

- **Stage 1** – a small supermarket (1,649m<sup>2</sup>), one mini-major tenant (416m<sup>2</sup>) and specialty space (845m<sup>2</sup>). The assumed first full year of operation of the proposed development is 2020-21; and
- **Stage 2** – expansion of the supermarket to 3,000m<sup>2</sup>, an additional mini-major tenant of 936m<sup>2</sup> and a further 856m<sup>2</sup> of specialty floorspace. The expanded centre is assumed to be operational by 2024-25.

The EIA report states that the proposed Stage 2 supermarket expansion will absorb some of the specialty floorspace developed in Stage 1 meaning that the overall centre will contain approximately 4,800m<sup>2</sup> once stage 2 is

completed. This would make the proposed centre almost the same size as the existing North Orange centre.

## Context

At present there are effectively no retail services in South Orange. The nearest retail facilities to the subject development site are those in the Orange CBD.

The Planning Scheme does make provision for a B2 Neighbourhood Centre on land immediately to the south of the subject site. This land is currently occupied by an agricultural research centre operated by the Department of Primary Industry (DPI). The extent of retail facilities possible on the DPI site is limited to approximately 1,400m<sup>2</sup>, however.

Provision also has been made in the Shiralee Village Master Plan for retail facilities at some future time. We understand these facilities probably will be minor in nature and are unlikely to be developed within the next five years.

To the south of Bloomfield the nearest retail facilities are those in the township of Blayney. These facilities are anchored by a Bernardis supermarket of some 2,500m<sup>2</sup>.

# EIA Methodology and Assumptions

## Overview

The EIA has adopted a generally sound methodology which follows accepted principles for establishing economic need and evaluating economic impact. That said, we have some specific comments on the analysis presented in the EIA and these are discussed below.

## Trade Area

The trade area is depicted in Map 2.1 (EIA page 13 refers). The trade area defined by Location IQ includes a Secondary North sector much of which is considerably closer to the CBD than it is to the subject site. Accordingly, it is to be expected that the volume of retail spending likely to be captured by the proposed centre from the Secondary North will be relatively constrained.

Based on our experience we consider it is much more likely that Secondary North residents will travel 'inwards' toward the Orange CBD in order to access retail facilities rather than travel 'outwards' to the proposed centre at Bloomfield.

## Population Growth

As set out in Table 2.1 (EIA page 15 refers) the Main Trade Area (MTA; that is Primary plus Secondary trade areas) is estimated to have had a

population of 17,440 people in 2018 of which only 5,510 (31.6%) were residents of the Primary trade area.

The significance of the Secondary North to the overall analysis presented in the EIA can be seen in that its estimated 2018 population of 6,890 accounted for approximately 40% of the MTA's total population at that time.

The analysis of future population growth set out in the EIA, particularly that for the Primary trade area, is dependent on the rate of residential development in the Shiralee area as well as the assumed development of 550 dwellings on the DPI land commencing in 2020.

The EIA population projection assumes the development of 30 to 35 dwellings per annum in the PTA between 2016-21 increasing to around 85 dwellings per annum between 2021-31.

If residential development in the Shiralee release area is delayed due to overall economic conditions and land assembly issues, and if the DPI land is not developed for residential purposes, then demand for retail floorspace in the Bloomfield trade area will be slower to emerge than that forecast by Location IQ in their EIA.

## Viability of Proposed Development

The EIA estimates the proposed Stage I centre will achieve total annual sales of \$16.2 million in 2020-21 (\$2017-18).

The proposed supermarket is forecast to achieve an average sales rate of \$6,567 per m<sup>2</sup> per annum, the mini-major \$3,700 per m<sup>2</sup> per annum and the retail specialties \$5,525 per m<sup>2</sup> per annum.

The overall average sales rate for the centre as a whole is estimated to be some \$5,872 per m<sup>2</sup> per annum in 2020-21.

These are relatively low average sales rates for a small centre with a supermarket major as its anchor. For instance, industry publication *Shopping Centre News* (SCN) in its 2018 'Mini Guns Survey' found small Australian centres anchored by a full-line supermarket achieved average sales rates ranging between \$4,569 per m<sup>2</sup> per annum and \$17,777 per m<sup>2</sup> per annum. The median sales rate for such centres was \$9,126 per m<sup>2</sup> per annum (\$2018).

Of the 151 small centres surveyed by SCN in Australia only 8.6% (13) had average sales rates less than \$6,000 per m<sup>2</sup> per annum in 2018.

It could be argued that the below average turnover estimated by Location IQ is due to the proposed Stage 1 centre not containing a full-line

supermarket and/or that the centre will not be surrounded by a dense residential catchment. Alternatively, the below average sales forecast identified in the EIA may indicate the proposed development is premature.

That said, viability of the proposed centre ultimately is an issue for the proponent and is not in and of itself a reason for refusal of the development.

## Impact Analysis

The impact analysis presented in the EIA relates only to the Stage I of the proposed development which is assumed to commence trading in 2020-21.

The Stage 1 impact on the Orange CBD's sales is estimated to be in the order of -3.2%. The estimated impact on Blayney is also estimated to be -3.2%. The impact on other centres such as North Orange is estimated to be less than -1% in 2021.

We generally agree that the impacts of the Stage I development are likely to be of the order identified in the EIA. Impacts of this scale are classified as being in the 'very low' category of impact. As such the proposed development appears unlikely to detrimentally impact the trading performance of the centres affected.

We note, however, that the EIA is generally silent regarding the potential impact of Stage 1 on any retail development which may occur in the B2 Neighbourhood Centre zone on the DPI land immediately to the south of the subject site.

In our opinion, this is the most important issue for Council to consider given the reasonable expectation that the New South Wales Government may anticipate that a retail/commercial centre will be developed on the DPI land at some future time.

In our opinion, if a supermarket is developed on the subject site as part of Stage I it is unlikely that a centre on the DPI land could also attract a supermarket tenant. This would mean that any development of the B2 Neighbourhood Centre land on the DPI site would, in all likelihood, be limited to small-scale retail and commercial services and hence it would always play a secondary role to the proposed centre at Bloomfield.

As noted above, the EIA also foreshadows a second stage of development at Bloomfield by 2024-25. Specifically EIA Section 5.1 v (EIA page 48 refers) states that:

*"A full line supermarket of 3,000 m<sup>2</sup> would likely be supportable by 2024/25 when the primary sector population is projected to reach around 7,000."*



It is generally accepted that a population of 8,000-10,000 people is required to support a full-line supermarket in urban areas of Australia. In this instance, a Primary sector population of 7,000 residents together with demand generated by workers in the Bloomfield precinct and the capture of some 'passing trade' from those travelling along Forest Road between Orange and the Secondary South sector probably would be sufficient to support such a store.

In our view, if Council is minded to support the proposed development at Bloomfield, a condition should be attached to any such approval which effectively links the approval of Stage 2 to the prior achievement of a Primary sector residential population of at least 7,000 people.

In this regard, the 2021 Census—which will produce data in late 2022 and early 2023—should provide valuable guidance as to whether this population threshold will be achieved by 2024-25 as forecast by Location IQ.

If such a condition does not form part of any approval of the proposed development then there is a risk that a full-line supermarket could be developed on the site before there is sufficient population in the immediate catchment to support such a store. Such an outcome could be expected to have a detrimental impact on the performance of supermarkets in the Orange CBD.

## Summary

Over the longer term a need will emerge in South Orange for a convenience-type centre containing a supermarket. Further population growth in the catchment will be required to justify the provision of a full-line supermarket (that is, one in excess of 3,000m<sup>2</sup> net leasable area), however.

We consider the subject site has some clear locational advantages over the existing B2 Neighbourhood Centre site on the DPI land. These flow from its better spatial relationship to both existing and proposed major employment and activity generators in the area such as the Orange Health Service precinct, the existing aged housing facility and proposed future private medical and 'medi-hotel' facilities.

