

6 November 2020

Mr Andrew Chown
Senior Associate
URPS
12/154 Fullarton Road
ROSE PARK SA 5067

Dear Andrew,

Retail Analysis Croydon Park DPA

Thank you for your instructions to provide clarification following feedback from City of Port Adelaide Enfield on Property & Advisory's retail report of June 2019, based in part on peer review by SGS Economics & Planning and/or Humby Consulting. Regarding each point raised by Council, we provide commentary herein and have updated our report accordingly. The revised report, dated October 2020, should be read in concert with this letter.

We report as follows, numbered according to the Peer Review notation.

28.1 Population Data

Our population projections are drawn from those provided from time to time by the Department for Infrastructure and Transport (formerly the Department for Planning, Transport and Infrastructure (DPTI) and referred to as such in our report. The DIT projections have a base year of 2016 and that year's figures are based on ABS release 3235.0 'Population by Age and Sex, Regions of Australia'. DIT's 2016 numbers differ slightly from Census figures in that:

- they are based on ABS 'estimated resident population' (ERP) for 2016 rather than the actual Census count; and
- DIT distributes counts from sparsely populated SA2s to adjoining SA2s.

In December 2019, subsequent to our initial report, new population projections by SA2 were released by DIT. We have therefore adjusted Table 2 in our report to reflect the new data, now extended with a projection to 2036.

28.2 Covid-19 and Population Projections

The most recent DIT population projections were prepared before the onset of the Covid-19 pandemic. Although the ABS has not made any changes to its forecast yet, several demographic estimates have emerged in recent months. KPMG¹ has two estimates – 'vaccine' and 'no vaccine' – under which Australia's population levels by June 2030 could be short of the original ABS

¹ KPMG, 'Pathways to Recovery', August 2020.

projection of 29.12 million by between 420,000 (vaccine) and 1,079,000 (no vaccine). Demographer .id² estimates a reduction of 880,000 over its pre-Covid 2031 population forecast of 29.792 million.

We have added a new section to our report (Section 2.3.2) that discusses the effect of the Covid-19 pandemic on population projections. It further translates those projections into effects on household spending in the reference radii around the subject site. This section of the report also addresses wider strategic challenges facing retail property owners as a result of the pandemic.

28.3 Household Ratios

The subject site is situated within a region of middle Adelaide suburbs that are experiencing rapid consolidation. Of the SA2s surrounding the subject site, one (Hindmarsh-Brompton) already has a household ratio of 2.3. Two others – Enfield-Blair Athol and Prospect – are the loci of significant transformation, from predominantly ‘conventional’ residential allotments, combining small lot development and apartment development along main roads (most notably Churchill Road). A ratio of 2.3 by 2031 across these two SA2s is within reason. The Parks has been experiencing consolidation since the 1990s and this will be on-going during the 2020s. Woodville-Cheltenham, which had a ratio of 2.5 at 2016, is also consolidating, but a move from 2.5 to 2.3 over 15 years may be at the upper end of expectations.

28.4 Kaufland

Kaufland abandoned its Australian roll-out in February 2020, including its half-built outlet on Churchill Road, Prospect. This outlet had been factored into our 2019 report. Accordingly, we have amended Table 1 and Figures 1 and 2 of our report to exclude the Kaufland outlet.

As instructed, we have not re-run the modelling in our report. The exit of Kaufland from the local market will have no influence on the question addressed by the modelling – that is, the effect of various forms of retail development on surrounding Centres. The brief for our 2019 report did not require that the prospects for retail development on the subject site be addressed in its modelling. Superficially those prospects would be improved by the departure of Kaufland.

28.4 Arndale Movements

Subsequent to our 2019 report, Coles has vacated Armada Arndale and its former space has been occupied by Foodland, operated by Romeos. This means that there has been no physical change to the floorspace in the region, but this shift does likely reduce the number of operators that might be interested in taking up space on the subject site, because all supermarket brands are now situated within a 5-minute drive of the subject site.

This change has no effect on our analysis, which specifically tested the effect of retail development of various food and non-food floorspaces on existing retail turnover in the region.

² .id, ‘What impact will COVID-19 have on Australia’s future population?’, July 2020.

28.5a Floorspace Descriptions

In Table 1 of the P&A report, existing retail floorspace in the region was broken down into “Food” and “Non-food”, together with a total floorspace column, being the sum of these two. Whilst it is possible to break this down further into sub-headings (clothing and footwear, household goods, retail services, etc.), this involves considerable work, to dubious benefit. Nonetheless, for the radii around the subject site, the following total floorspace break-down applies – noting that some of these categories are not categorised as ‘retail’ space for modelling/analysis purposes:

Category	Within 1 km Radius	Within 2km Radius	Total
Food	3,361	26,521	29,882
Clothing & Footwear	117	6,086	6,203
Household Goods	8,399	31,008	39,407
Personal Services	1,279	4,146	5,425
Business Services	1,826	9,461	11,287
Motor Trade	2,717	377	3,094
Government		2,530	2,530
Large Stores		40,673	40,673
Vacant	1,716	3,106	4,822

28.5b Turnover/sqm Assumptions

The peer review suggests that “further evidence [be] provided on the study’s ‘turnover per square metre’ assumptions”. We confess as to being puzzled by this observation and have interpreted it as requesting that we provide evidence as to why they were adopted as assumptions.

The methodology utilises an in-house gravity modelling application, applying the Huff Algorithm. It distributes total household spending based on calculated probabilities between all ABS SA1 districts in a 5km radius and all retail Centres in that region, those probabilities being calculated according to road travel distance and Centre size, for food and non-food. It will be immediately noted therefore that the model assumes that consumers are attracted to big Centres over small Centres, and close Centres over distant Centres. Although this seems intuitively correct, such an assumption has also been established empirically in numerous studies.

As stated on p.15 of the report, the model assumes that all retail floorspace is of equal “quality” and equally served by appropriate ancillary facilities such as car parking. It cannot adjust for these differences and, where they occur, P&A may re-weight a Centre accordingly. Such matters are more intuitive than empirical, however we believe that these are reasonable intuitions.

The model is not Euclidian (i.e. “as the bird flies”), but rather distance is measured by actual travelling distance. It is not possible to account for actual travelling time – which would be a better measure – but we assume in the modelling that distance is a reasonable proxy in most circumstances. This is mostly the case in the current study, where the only fast road that might skew the results is South Road, however we regard South Road’s speed as mostly irrelevant in choices between the subject site and those Centres potentially in major competition with it.

28.6 Passing Traffic

The peer review correctly identifies passing traffic as a factor. It is a clear deficiency in all retail modelling, and we know of no reliable measure to account for passing trade. As referenced in the report³, the DIT passing traffic volume measurement applicable to the subject site is 22,800 on Regency Road. There is no DIT measure made for Days Road. There is a proportion of this passing traffic that will impulsively turn in to a retail development at the subject site. That proportion is, we believe, immeasurable and would depend on such as-yet unknown factors as from-road visibility, Centre size, signage and ease of access points.

28.7 and 29. Strategic and Policy Context

In contrast with the observation in the Strategic Review, our report *does* acknowledge the existence of major Centres in the vicinity of the subject site, including the fact that Armada Arndale is shown to be in a District Centre zone at Table 1. It also maps major and minor retail Centres in the near vicinity at Figure 2, graphically showing the hierarchy of centres that surrounds it. The report does not note that there are four District Centre zones in the West – one of which is Arndale – but it does clearly show that both Arndale and Churchill Centre North (which is of District Centre scale, but zoned ‘Mixed Use’) are within a 5 minute drive of the site.

Our report expresses no view on the appropriateness of a full-line supermarket on the site – whether within 1km of a District Centre or not. It does, however, canvass the retail uses to which the site is suited⁴ and a full-line supermarket is notably absent from the list. That view is founded on economic grounds rather than policy. The view has only firmed following the opening of a Foodland store at Armada Arndale.

The policy field relating to Centres Hierarchy has shifted in recent years and, under the imminent Planning and Design Code, retail zones are likely to be less prescriptive than existing retail zones. In any event, our report is intended to answer economic questions relating to retail development on the site, whereas policy is more appropriately addressed by planning professionals.

P&A concurs that an efficient and viable network of centres is a desirable outcome, and that whatever development occurs on the site should be consistent with that objective. We note that the overall site is currently zoned ‘Industry’ (‘Suburban Employment’ in the impending PD Code) and that, in the event of a Development Plan Amendment (DPA), retail development on the site will be a secondary land use within a comprehensive, integrated proposal. That, at least, is the context of the high-level views expressed in Section 4.1 of our report, noting that as a particular development proposal materialises, the thinking in relation to retail development will almost certainly evolve with it.

What will not evolve (in the short term) is the trading environment, and our report correctly identifies both the large-scale competition within a 2km radius and the bustling Asian-themed Centre directly adjacent. Regardless of policy, retail development proposals on the subject site will be framed in that economic context.

³ Section 4.1, p. 20

⁴ Section 4.1, p. 20

Coles 'Dark' Outlet

In addition to the points raised in the Peer Review, we have been requested to comment on an additional development in the region. Subsequent to our report, a portion of the Coles supermarket at Churchill Road North has been converted into a 'dark' outlet; that is, an operational entity that sources goods from the adjoining supermarket that have been ordered online for home delivery. We estimate that this 'dark' outlet may be approximately 1,200sqm in area, reducing the retail floorspace to 4,400sqm, or thereabouts.

The effect of this change is likely to be twofold:

- It will draw custom from across the Western suburbs, including the trade areas canvassed in our report. Over time, this draw may be substantial, depending on the success or otherwise of online supermarket ordering as a retail phenomenon. In light of the Covid-19 pandemic it would be unwise to downplay that success, but it remains unknown as to its penetration at this point in time. To the extent that the 'pull' of the Churchill Centre Coles store was factored into our 2019 analysis, that effect has at least been recognised, albeit in a different form; and
- this being the case, it is technically true that the attraction of the Coles store would be less than previously calculated – that is, were we to run our modelling again, the 'dark' outlet would not be recognised as retail floorspace. In reality, the large Coles store would be perceived as such by the reference market, whether it was 4,400sqm or 5,600sqm and the effect of the reduced floorspace on turnover at the 'bricks and mortar' Coles may be minimal.

The manner in which online spending is factored into retail analysis is yet to be reliably established, however it is certainly a factor to be considered in the planning of new developments and the re-modelling of existing facilities.

Close

We trust that the above commentary and associated additions and alterations to our 2019 report properly address the matters raised in the Peer Review. If we may assist further in any way, please do not hesitate to contact the undersigned.

Yours faithfully
PROPERTY & ADVISORY



Andrew Lucas
Senior Consultant