

9 March, 2007

Kirsty Tepper
Blue Mountains City Council
2 Civic Place
Katoomba NSW 2780

Dear Kirsty,

Re: Springwood Town Centre Economic Advice – Stage 1: Market Assessment & Identification of Uses

1.0 Introduction

Hill PDA has been instructed by Blue Mountains City Council (Council) to provide expert advice concerning the strategic implications of redevelopment within the Springwood Town Centre (Study Area). Council are presently considering how to appropriately utilise Council owned land in the Town Centre to facilitate the revitalisation of Springwood. Council will consider options for the development of three key sites (Study Sites).

The project comprises the following 2 stages:

- **STAGE 1:** Market Assessment and Identification of Issues; and
- **STAGE 2:** Financial Assessment of Redevelopment Options.

The following sections provide a summary of the key findings from Stage 1 of the project. This initial stage was focussed on the identification of potential viable uses/redevelopment options for the 3 defined Council owned sites and involved the following:

- site appraisal of the 3 Study Sites;
- land use survey of the Springwood Town Centre and surrounding centres;
- information review of relevant documentation;
- market assessment & demographic analysis;
- identification of potential uses; and
- identification of major opportunities constraints facing the Town Centre.

2.0 Study Sites

The 3 Council owned Study Sites include:

1. **Civic Centre Site - 102-108 Macquarie Road:** This site totals approximately 9,288 sqm and comprises the Community Centre (used by a number of regular/casual groups including: Blue Mountains Food Services; Musical Society, Ivy Markets, Blue Mountains Concert Society and dance performance schools), Neighbourhood Centre (used by various community groups who have offices/facilities in the centre including: Springwood Neighbourhood Centre; Blue Mountains Vietnam Veterans Association and Anglicare), Council Offices, Library, Braemar Historic House (which predominately functions as a community gallery), and a car parking area behind both the eastern and western parts of the Civic buildings.
2. **Northern Car Park and former scout hall site – 169-177 Macquarie Road:** This site totals some 5,210 sqm and includes the existing car park and ring road system, baby health centre building and former scout hall site (now a level gravelled parking area).
3. **Southern Car Park Site- 50-62 Springwood Avenue and 180-194 Macquarie Road:** This 4,845 sqm site includes all parking areas on these allotments, excluding the existing town square which fronts Macquarie Road.

3.0 Market Assessment & Survey of Centres

Market Assessment

Further to discussion with local real estate agents and use of other sources of data such as Property Information Monitor, Home Price Guide and Red Square we have derived the following market information in relation to the Springwood Town Centre:

Retail/Commercial

- Local agents categorise the commercial office market in the Springwood Town Centre to be predominately in the form of local business including medical, legal, financial and professional services. There is a relatively high representation of medically related services, banks and real estate agencies.
- Agents characterised the retail market as lacking major national stores and consisting of local businesses that meet the weekly needs of its surrounding trade area.

Leases

Recent commercial/retail leases in Springwood include:

Table: Recent Springwood Commercial/Retail Leases

Address	Area (sqm)	\$/sqm
148 Macquarie Rd (commercial)	220sqm	\$382/sqm
6/107 Macquarie Road (retail)	58sqm	\$423/sqm
1/153-157 Macquarie Rd (retail)	77sqm	\$571/sqm
5c/127 Macquarie Rd Arcade	53.6sqm	\$396/sqm
Shop 1, 119 Macquarie Rd (commercial above ground)	58sqm	\$724/sqm

Source: Local Real Estate Agents – Springwood Town Centre 2007

- Commercial/retail properties in springwood are expensive when compared to the other centres on the Blue Mountains and broadly achieve rentals in the order of \$400 - \$700/sqm. Rentals are excessive and should realistically be in the order of \$300/sqm.
- Historically rentals have been high in Springwood and this trend looks to persist.
- Such high rentals contribute to significant vacancies in the town centre.
- State bank commercial building at 148 Macquarie Road (220sqm building) recently leased for \$7,000 per month excluding GST = \$382/sqm.
- It was noted by several agents that the accommodation of a national chain supermarket would assist in revitalising the Town Centre. One agent was of the understanding that several years ago Coles were interested in locating in Springwood however were not prepared to pay the rent that was being asked.
- Recent retail rental property totalling 58sqm at 6/107 Macquarie Road – leased for \$423/sqm + GST.

Sales

Sales evidence for commercial/retail premises in Springwood is limited. The following sales have been identified:

Table: Springwood Commercial/Retail Sales

Address	Date of Sale	Sale Price	Area (sqm)	\$/sqm
1a Hawkesbury Rd (retail/mixed business)	12/11/2004	\$480,000	727sqm	\$660/sqm
11/150 Macquarie Road (commercial)	20/06/2006	\$275,000	41sqm	\$6,707/sqm
151 Macquarie Road (commercial)	13/9/2005	\$735,000	291sqm	\$2,527/sqm

Source: Red Square

Residential

- Discussions with local real estate agents show that demand for shop-top housing exists.
- Typically 1 bed-room apartments in Springwood are achieving approximately \$190/week.
- 2 bedroom units in good condition that are in close proximity to the town centre are currently achieving between \$280,000 - \$300,000.
- Self care 2 bedroom units (near new) for the over 55 years are selling for around \$250,000.

Survey of Centres

Hill PDA's survey of the Springwood Town Centre and surrounding centres identified the following key points:

- There is some diversity of roles between the various retail centres in the Blue Mountains. Springwood and Katoomba are the town centres serving the lower and upper mountains respectively.
- The main retail core extends along Macquarie Road between Raymond Road and the railway station.
- In between strip specialty retail there is the prominence of various commercial premises such as financial institutions, real estate agents, medical services, other professional suites, personal services (such as hair and beauty salons) and pockets of public open space.
- There is a poor representation of the larger retail chains in the Town Centre. The majority being local enterprises.
- Vacancy rates were significant, totaling around 7%. Many of these vacancies were located in prime retail areas of the Centre.

4.0 Springwood Town Centre Constraints

The major constraints facing the Springwood Town Centre include:

- Expansion of Penrith and other retail centres in the surrounding local area – including Winmalee and Blaxland.
- The impact of Penrith restricts the viability of developing any major/regional centres in the Blue Mountains without a significant increase in the population base. Given the elongated shape of the trade area, it is understandable how traditional sub-regional or town centres such as Katoomba and Springwood find it difficult to expand beyond its local trade area and service the region.
- Steep topography on both sides of the main retail core along Macquarie Road (especially to the south of Macquarie Road), restricts access and development opportunities.
- Poor access and poor traffic movement both through and within the Centre.
- Barrier produced by railway and Great Western Highway corridor.
- Prevalence of few recognised national retail chains within the Centre.

5.0 Springwood Town Centre Opportunities

Key opportunities for the Springwood Town Centre include:

- Encouragement of appropriately integrated medium density residential development.
- Improve landscape setting and appearance of rail corridor.
- Establish town centre ‘gateway’ entrances at Hawkesbury Road roundabout.
- Improve streetscape along Macquarie Road.

Expenditure Analysis

Hill PDA’s expenditure analysis identified that there is an opportunity to accommodate another supermarket between 2,500sqm to 3,000sqm (refer to appendix A for more detailed analysis). It is recommended that a national chain supermarket be most appropriate.

Provided there is a workable solution for a supermarket on either the northern or southern car park site ie: with good access and adequate parking, there is sufficient expenditure for all 4 supermarkets in the area to be viable (Coles – Winamlee, 2 IGAs – Springwood and a potential supermarket on either northern or southern car park site).

6.0 Identification of Potential Uses/Redevelopment Options

Drawing from our land use survey, appraisal of the Study Sites, market assessment, demographic analysis and expenditure analysis, we formulate the below preliminary recommendations concerning potential viable uses/redevelopment options for each of the 3 sites.

Civic Centre

Option 1: (combined with option 1 of Northern Car Park Site and option 1 of Southern Car park site)

- Preserve civic uses on the site and refurbish existing buildings.
- Retain existing car park at rear of the site.
- Retain the current use of ‘Braemar Historic House’ as an exhibition gallery and/or possibly adapt it to a combined restaurant/art gallery/homewares store.

Option 2: (combined with option 3 of Northern Car Park Site and option 1 of Southern Car Park Site)

- Medium density residential apartments with parking at grade and basement level
- Retain the current use of ‘Braemar Historic House’ as an exhibition gallery and/or possibly adapt it to a combined restaurant/art gallery/homewares store.

Northern Car Park

Option 1: (combined with option 1 of Civic Site and option 1 of Southern Car Park Site)

- Mixed use development comprising –
 - i. ground floor specialty retail fronting Macquarie Road;
 - ii. levels 1-2 of commercial office (health and professional suites);

- iii. residential units above;
- iv. basement car parking

Option 2: (combined with option 1 of Civic Site and option 2 of Southern Car Park Site)

- A national chain supermarket at ground level (2,500sqm – 3,000sqm) associated with some speciality retail and commercial office above. Grade and basement car parking.

Option 3: (combined with option 2 of Civic Site and option 1 Southern Car Park Site)

- Accommodate civic uses on this site that are currently located on the Civic Centre site, including – library, neighborhood/community centre and Council offices.
- Parking at grade and basement.

Southern Car Park

Option 1: (combined with option 1 of Civic Site and option 1 of Northern Car Park Site)

- An arcade extending from Macquarie Road (comprising a few small speciality retail stores on either side), that leads out into a national chain supermarket (2,500sqm – 3,000sqm). Commercial offices (medical related professional suites) accommodated above. 2 levels car parking below the retail level connected by travelators.

Option 2: (combined with option 1 of Civic Site and option 2 of Northern Car Park Site)

- Mixed use development comprising –
 - i. ground floor specialty retail fronting Macquarie Road;
 - ii. levels 1-2 of commercial office (health and professional suites);
 - iii. residential units above;
 - iv. basement car parking

Appendix – Demand for Supermarket Space

Trade Areas

The trade area served by any retail centre is determined by a number of factors including:

- The strength and attraction of the centre in question, determined by factors such as the composition, layout, ambience/atmosphere and car parking in the centre.
- Competitive retail centres, particularly their proximity to the subject centre and respective sizes, retail offer and attraction.
- The location and accessibility of the centre, including the available road and public transport network and travel times.
- The presence or absence of physical barriers, such as rivers, railways, national parks and freeways.

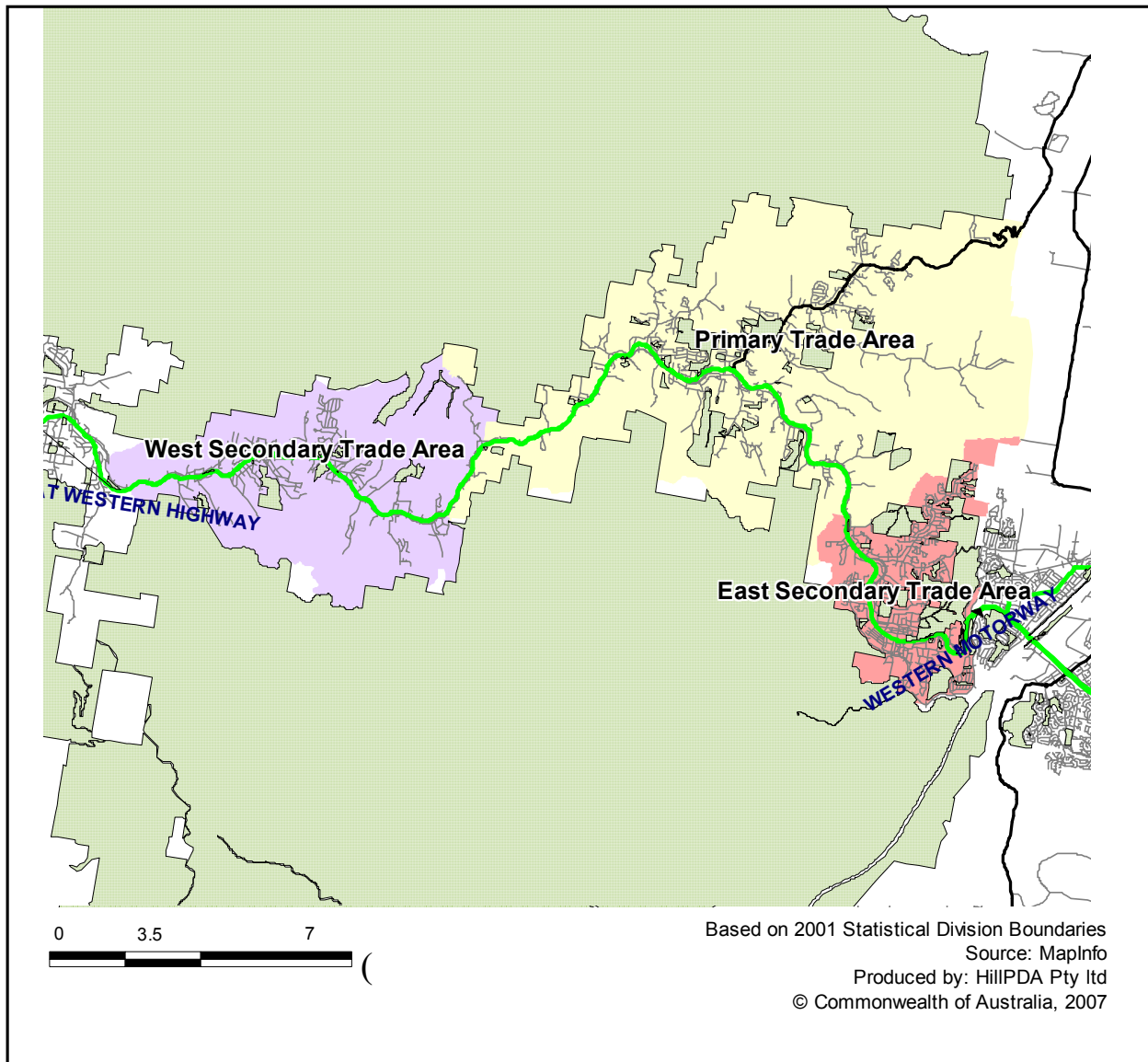
Having regard to each of these factors detailed above and our experience with a large number of studies in similar types of centres we have defined 3 trade areas in and around Springwood Town Centre.

Existing and Future Supermarket Trade Areas

Trade Area	Boundaries
Primary Trade Area (PTA)	The PTA encompasses the suburbs of Springwood, Linden, Falconbridge, Winmalee, Yellow Rock, Valley Heights, Sun Valleys and Warrimoo. It is bounded by Linden to the West, Warrimoo to the East and the national park to the North and South
West Secondary Trade Area (WSTA)	The WSTA is bounded by Linden to the East, Bullaburra to the West and the Mountains to the South and North. The trade area includes the derived suburbs of Bullaburra, Lawson, Hazelbrook and Woodford. This area has no large supermarket and hence a considerable proportion of expenditure escapes the area to Springwood, Winmalee, Penrith and Katoomba.
East Secondary Trade Area (ESTA)	The ESTA is boarded by Mount Riverview and Blaxland to the North, Main Western Rail line to the South, Magura Reserve, Blaxland Public Gardens and the Main Western Rail Line to the East and the mountains to the west. The trade area encompasses the derived suburbs of Blaxland, Glenbrook, Lapstone and Mount Riverview.

A map of the trade areas is provided below.

Figure – Trade Area



Household Growth

Household forecasts were sourced from Blue Mountains City Council Forecast. The strongest growth area is the mid-mountains in the West Secondary Trade Area (WSTA) which encompasses Hazelbrook, Lawson, Bullaburra and Woodford.

Growth rates in the Primary Trade Area (PTA) are similar to that for the WSTA. Households in the PTA are expected to increase between 0.2% to 0.6% per annum to 2021 as shown in the table below:

Dwelling and Population forecast for PTA, WSTA, ESTA for 2001-2006

	PTA	WSTA	ESTA
Total Population (2001)	23,503	10,214	15,994
Total Population (2006)	24,858	11,397	16,455
Total Dwelling (2001)	8,874	4,334	5,890
Total Dwelling (2006)	9,139	4,470	6,049

Source: ABS Census 2001 and Growth Rates supplied by Blue Mountains City Council

Household Expenditure

These households will generate retail expenditure. This is estimated from an expenditure model developed by Hill PDA using data from the ABS Household Expenditure Survey 2003-04, ABS Retail Industry Survey 1998-99, and Marketinfo 2004. Since 1991 households have increased expenditure in real terms (based on ABS retail trade figures). For the purpose of this study we have assumed that growth in real expenditure will continue at 1% per annum. Forecast expenditure by retail store type over time is provided in the following table.

Estimated Household Expenditure in the PTA, WSTA & ESTA by Retail Store Type 2006 (\$m)

Expenditure by Commodity Type	PTA	WSTA	ESTA
Supermarkets & Grocery Stores	80.3	34.6	55.0
Specialty Food Stores	26.4	11.5	18.0
Fast-Food Stores & Restaurants	39.3	16.4	27.3
Department Stores	21.6	9.0	15.0
Clothing Stores	17.1	7.0	11.9
Fabric and Soft Goods Stores	2.0	0.8	1.4
Furniture & Floor Coverings Retailers	8.6	3.7	6.0
Domestic Hardware and Houseware Retailing	8.1	3.5	5.6
Electrical Appliances Stores	20.9	8.8	14.4
Recorded Music Retailers	0.5	0.2	0.4
Sport and Camping Goods Stores	3.2	1.3	2.3
Other Personal & Household Goods Retailing	20.2	8.4	14.0
Household Equipment & Repairs	0.9	0.4	0.6
Selected Personal Services	8.4	3.5	5.8
Total Retailing	257.6	109.3	177.7

Source: Hill PDA Estimate based on ABS Household Expenditure Survey 2003-04, Marketinfo, ABS Census 2001 and Household Forecasts

Demand for Supermarket Space

Supermarkets in the Springwood PTA should be capturing around 80% of the PTA expenditure which allows for 20% escape expenditure to the higher order centres (mostly to Penrith). Springwood has potential to capture a further 20% of the WSTA and 10% ESTA supermarket expenditure. In total the supermarkets in the PTA should be capturing at least \$76m expenditure. This will escalate to \$83m by 2011.

Dividing this expenditure by a national average turnover figure of \$9,500/sqm¹ means that the PTA can justify 8,000sqm of supermarket floor space. Currently it has 5,000sqm suggesting that there is an undersupply of 3,000sqm.

¹. Source: ABS Retail Survey 1998-99 escalated to 2006 dollars.