

HomeCo Belrose

Economic analysis for consent modification application

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Document details

Deep End Services

Deep End Services is an economic research and property consulting firm based in Melbourne. It provides a range of services to local and international retailers, property owners and developers including due diligence and market scoping studies, store benchmarking and network planning, site analysis and sales forecasting, market assessments for a variety of land uses, and highest and best use studies.

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This report should be read in its entirety, as reference to part only may be misleading.

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Introduction

This report has been prepared on behalf of HMC Capital to accompany a request for modification of consent for the HomeCo Belrose centre to remove certain conditions relating to the allocation of shop floorspace and the prohibition of use of any shop for the purposes of a supermarket or similar food sales outlet.

The effect of the proposed modifications would be to facilitate development of a small to mid-scale supermarket (up to 2,000 sqm) to be accommodated at the centre within an existing premise/tenancy.

This economic report includes an examination of the role that the proposed mid-sized supermarket would play as a convenient shopping option for workers in the surrounding business park, shoppers at the centre and other visitors, and considers the potential adverse competitive effects on established centres in the area (including Glenrose Village, Forest Way Shopping Centre and Warriewood Square) as well as on future retail development at Frenchs Forest Town Centre.

Location context

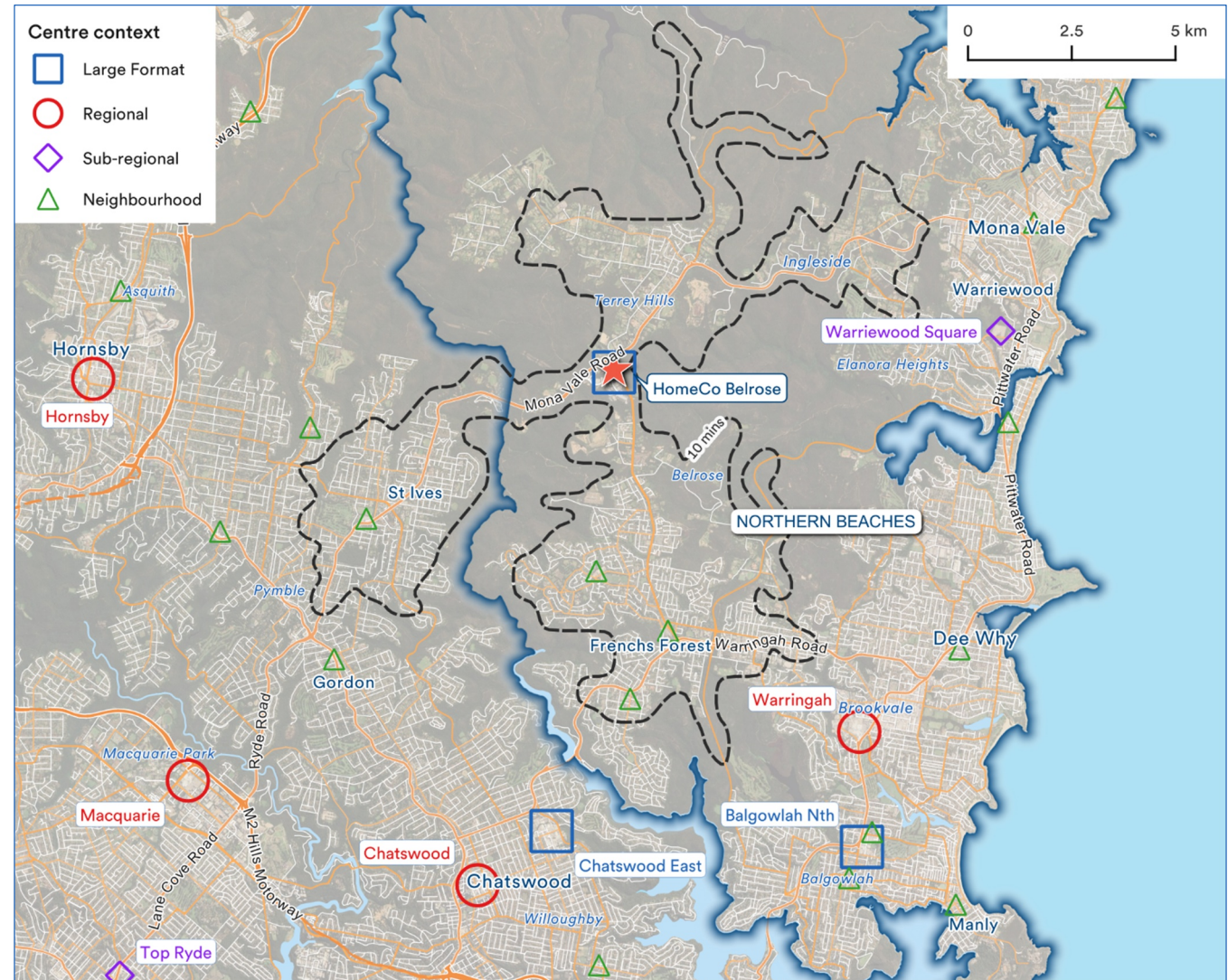
HomeCo Belrose is a centre of approximately 36,500 sqm located across two sites on Niangala Close, with a combined land area of 4.4 ha.

The centre is within the Austlink Business Park at the intersection of Mona Vale Road and Forest Way, approximately 22 km driving distance north of Sydney CBD, 14 km east of Hornsby and 11 km west of Mona Vale.

The site enjoys a strategic position located between the coastal suburbs of the Northern Beaches to the east, economically important infrastructure at Frenchs Forest to the south (including designation as a strategic centre around the new Northern Beaches Hospital precinct), and established suburbs along the Pacific Highway corridor to the west. The closest supermarket-based centres are at Glenrose Village, Warriewood and St Ives, with the closest LFR centres/clusters at Chatswood East and Balgowlah.

Two-way daily traffic volumes on Mona Vale Road are around 45,000 vehicles per day (vpd), with around 35,000 vpd travelling north-south along Forest Way.

The importance of the site is reflected in significant investment in local transport infrastructure including upgrades to Mona Vale Road between Terrey Hills and Mona Vale.



Source: Deep End Services; OpenStreetMap; Google Satellite imagery; QGIS

Local context

Austlink contains a wide range of employment-generating uses, including a significant large format retail (LFR) focus with the presence of HomeCo Belrose as well as other free-standing LFR businesses such as Bunnings Hardware to the north and the property at 2 Niangala Close which includes Petbarn and Carpet Right.

Other uses range across food production, construction services, medical device manufacturing and medical supplies, logistics and materials handling systems, wholesalers, import-export businesses, and a wide variety of other uses including several local cafés and other service providers such as a skin cancer clinic located on Narabang Way adjacent to the annex building of HomeCo Belrose.

Austlink forms part of a wider Terrey Hills employment precinct which extends north-east along Mona Vale Road and south along Forest Way. Uses within this precinct range from landfill and resource recovery centres to retail shops and wholesale suppliers, garden centres, visitor-oriented uses such as driving range/mini golf, taverns and commercial accommodation, and emergency services. A new private hospital (Wyvern) is currently under construction on Myoora Road which will offer 84 beds and employ at least 100 staff.



Source: Deep End Services; NearMap imagery (4/8/24); MapBox; QGIS

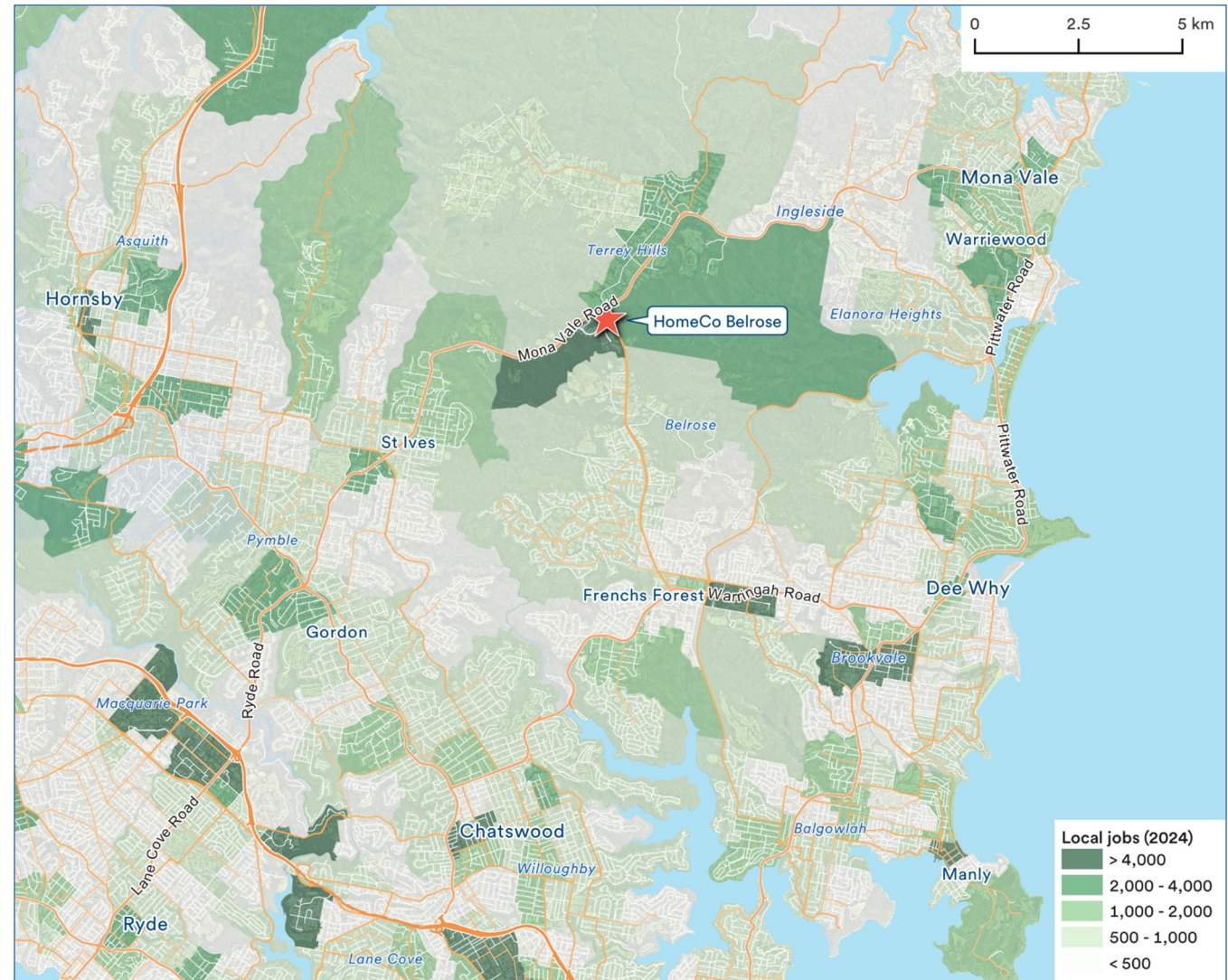
Employment context

The importance of the Terrey Hills employment precinct is highlighted in the map to the right which demonstrates that Austlink and the surrounding area is one of the key generators of jobs in the Northern Beaches region.

According to estimates by Transport for NSW, around 7,300 jobs are located within Austlink and the Mona Vale Road/Forest Way precinct in 2024. Another 100+ jobs will soon be created at the Wyvern Private Hospital, with ongoing employment growth anticipated to occur as well.

Other employment clusters in the region comprise:

- Brookvale (17,200 jobs)
- Mona Vale/Warriewood (combined 11,500 jobs)
- Frenchs Forest (9,000 jobs in 2024 but expected to increase to 10,500 by 2036).



Source: Deep End Services; Transport for NSW employment projections (2022)

Centre summary

HomeCo Belrose is a successful LFR centre of approximately 36,500 sqm, of which around 34,000 sqm is situated on the subject site and the remainder across the road at 1 Niangala Close.

The centre is the only dedicated LFR centre within the surrounding Northern Beaches region, with competing centres at Artarmon and Chatswood East and scattered LFR tenants at Balgowlah North and along Pittwater Road at Brookvale.

Traditional centres also have a (much lesser) role where they contain individual LFR-type tenants, while there are garden centres and other individual stores selling LFR goods along Mona Vale Road.

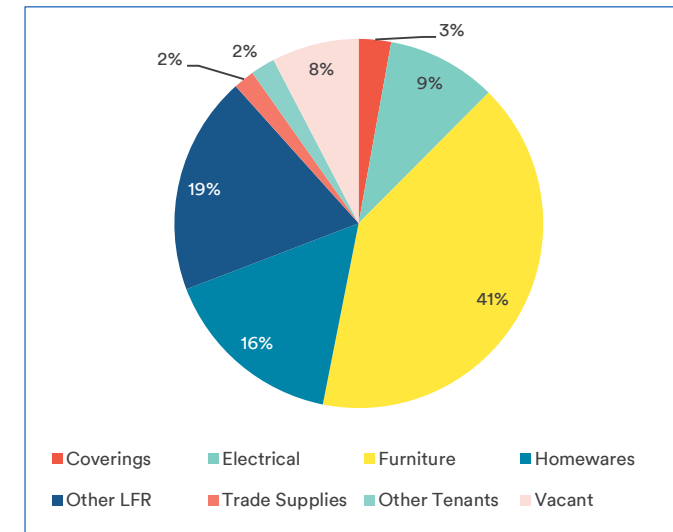
LFR provision at HomeCo Belrose is dominated by furniture stores (41% of floorspace), with other major categories being Homewares (eg Spotlight, Pillow Talk) and Other LFR (Anaconda, Baby Bunting, BCF).

‘Other tenants’ account for a very small contribution of just 2% at HomeCo Belrose, which is significantly below the average of 16% for all LFR centres in NSW.

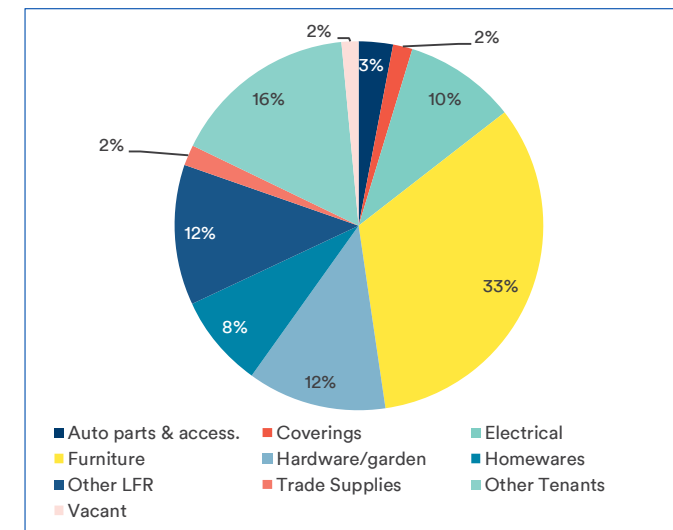
Within the ‘Other tenants’ category, the most common shop types across all NSW LFR centres are:

- Gyms/fitness studios (21.6% of all ‘Other tenant’ floorspace across all NSW LFR centres)
- Value fashion/discount variety (12.9%)
- Supermarkets/grocery stores (9.1%)
- Storage (9.0%)
- Fast food/takeaway (8.0%).

HomeCo Belrose



All NSW LFR centres (LFRA Directory 2023/24)

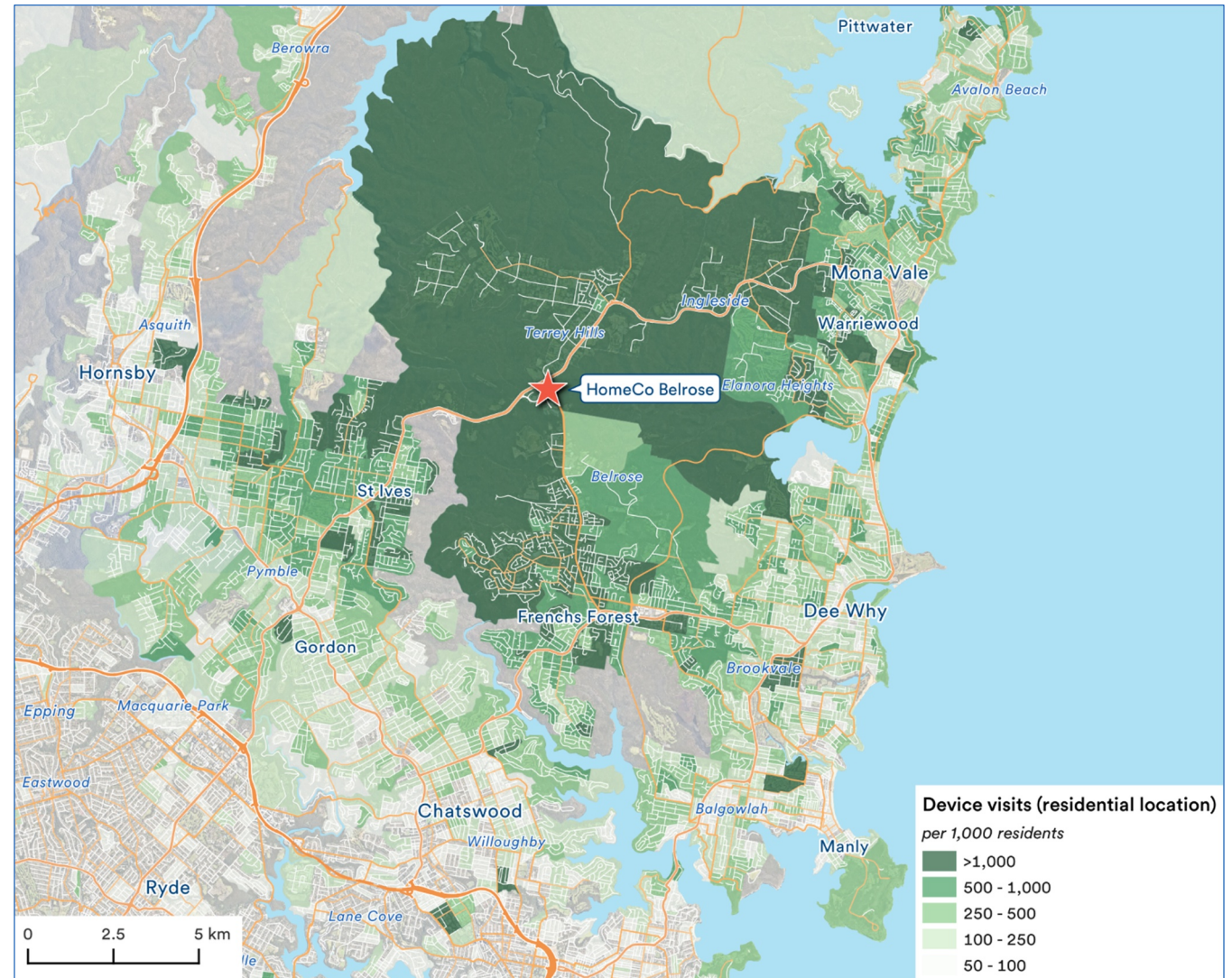


Centre visitation – residential location

Mobile geolocation data has been purchased from the *Pinnacle by Azira* platform which obtains details of the location of mobile devices that have location services turned on, drawn from applications that Azira manages and through placing of customised banner ads.

The Pinnacle dataset includes information on the common evening location of devices (with the exact location hidden by randomising the location within around 100m), which can be used as a proxy for residential address.

The map to the right displays the number of device visits per 1,000 residents over the 12 months to 30 June 2024 and demonstrates that HomeCo Belrose draws customers from a wide area throughout the Northern Beaches and other suburbs in northern Sydney. Visitation rates are strongest within around 10km of the centre, with the rate of visitation per 1,000 residents declining in the southern parts of the Northern Beaches LGA and west of the Pacific Highway at Gordon.



Source: Deep End Services; Pinnacle by Azira; ABS estimated resident population (SA1 geography)

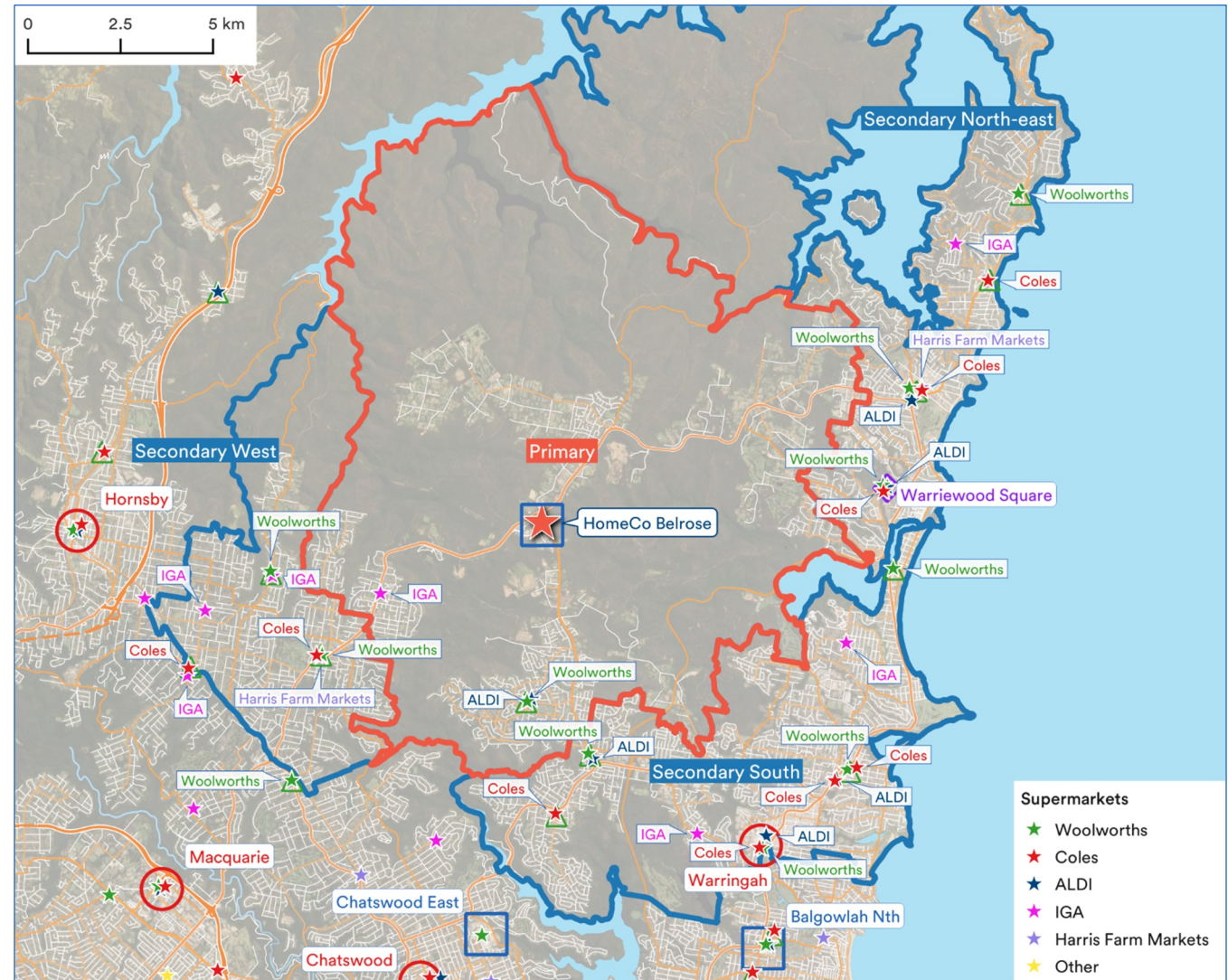
HomeCo Belrose catchment

The HomeCo Belrose catchment has been determined from the results of the mobile geolocation analysis, and particularly the inferred residential address of customers.

As shown in the map to the right, the catchment extends throughout the Northern Beaches and wider northern suburbs, and includes:

- A Primary sector which surrounds the site within around 7km to the south and west and 10km to the east to encompass Ingleside
- A Secondary north-east sector extending from Narrabeen Lagoon north to Palm Beach
- A Secondary south sector from Narrabeen along the coast to Wingala and inland to Killarney Heights
- A Secondary west sector which extends as far as Gordon and Turramurra on the Pacific Highway.

The map displays locations of existing supermarkets in the area, highlighting the distance of nearby supermarkets from HomeCo Belrose (with the closest full-line store being 5km away at Glenrose Village and a small IGA of 530 sqm also 5km away at St Ives Plaza) and the lack of local supermarket serving residents of Terrey Hills.



Source: Deep End Services; Google satellite imagery; QGIS

Catchment population

The catchment has an estimated resident population of 248,430 persons in 2024, increasing to 251,990 persons in 2026 and reaching 267,440 persons by 2041.

These figures are based on official estimates by the ABS to 2023 and forecasts based on DPIE projections prepared in 2022 which have been modified to account for strong growth shown by the latest ABS data which reflects a 'catch-up' following population decline during COVID.

Within the Primary sector, the resident population is estimated at 34,545 in 2024, increasing to 35,110 in 2026 and finally reaching 37,465 in 2041.

Catchment area sector	2021	2024	2026	2031	2036	2041
Population						
Primary	33,831	34,545	35,110	35,990	37,025	37,465
Secondary North-east	58,235	59,135	59,680	60,460	61,280	62,295
Secondary South	111,075	113,930	115,480	118,150	120,990	122,805
Secondary West	39,311	40,820	41,720	42,925	44,180	44,875
Total	242,452	248,430	251,990	257,525	263,475	267,440
Population growth (No. per annum)						
Primary	-	238	283	176	207	88
Secondary North-east	-	300	273	156	164	203
Secondary South	-	952	775	534	568	363
Secondary West	-	503	450	241	251	139
Total	-	1,993	1,780	1,107	1,190	793
Population growth (% per annum)						
Primary	-	0.7%	0.8%	0.5%	0.6%	0.2%
Secondary North-east	-	0.5%	0.5%	0.3%	0.3%	0.3%
Secondary South	-	0.8%	0.7%	0.5%	0.5%	0.3%
Secondary West	-	1.3%	1.1%	0.6%	0.6%	0.3%
Total	-	0.8%	0.7%	0.4%	0.5%	0.3%

Source: Deep End Services; ABS; NSW Department of Planning and Environment 2022

Catchment retail spending

Average per capita retail spending by catchment residents is estimated at \$22,453 in 2024, which is based on spending propensities prepared by Market Data Systems which have then been grown in accordance with Deloitte Access Economics consumption forecasts.

The catchment exhibits much higher average retail spending than the Sydney average across all retail categories, reflecting a more affluent demographic.

When applied to the population projections, total retail spending by catchment residents is estimated at \$5,58bn in 2024, of which \$780m is generated by Primary sector residents.

By 2026 catchment retail spending is forecast to increase to nearby \$6bn (\$836m within the Primary sector) and reach \$11.5bn in 2041 (\$1.6bn within the Primary sector).

Of note is that spending on food, liquor and groceries ('FLG') is forecast to increase from \$2bn in 2024 to \$2.2bn in 2026 and \$4.8bn in 2041.

FLG spending within the Primary sector is forecast to increase from \$282m in 2024 to \$307m in 2026 and reach \$665m in 2041.

Average spending per capita, 2024

Spending category	Primary	Secondary North-east	Secondary South	Secondary West	Total	Sydney	Comparison to Sydney average
Food, liquor, groceries	\$8,164	\$8,450	\$8,037	\$8,272	\$8,191	\$7,603	+7.7%
Food dining	\$3,320	\$3,604	\$3,525	\$3,741	\$3,551	\$3,248	+9.3%
LFR goods	\$5,482	\$5,409	\$4,808	\$5,891	\$5,222	\$4,329	+20.6%
Other non-food/services	\$4,701	\$4,634	\$4,299	\$5,104	\$4,567	\$3,813	+19.8%
Total	\$22,580	\$23,061	\$21,528	\$24,046	\$22,453	\$19,727	+13.8%
Comparison to Sydney average							
Total	+14.5%	+16.9%	+9.1%	+21.9%	+13.8%		

Total spending market, 2024-2041

Spending category	2024	2026	2031	2036	2041	2024-26	2026-31	2031-36	2036-41
Primary									
Food, liquor, groceries	282.0	307.2	396.3	522.7	665.0	4.4%	5.2%	5.7%	4.9%
Food dining	114.7	128.9	168.8	224.6	292.1	6.0%	5.5%	5.9%	5.4%
LFR goods	189.4	197.2	237.0	291.9	342.6	2.0%	3.7%	4.3%	3.3%
Other non-food/services	193.9	203.1	231.2	274.4	313.7	2.3%	2.6%	3.5%	2.7%
Total	780.0	836.4	1,033.4	1,313.5	1,613.4	3.6%	4.3%	4.9%	4.2%
Total Secondary sectors									
Food, liquor, groceries	1,753.0	1,905.0	2,447.8	3,206.2	4,093.4	4.2%	5.1%	5.5%	5.0%
Food dining	767.4	860.4	1,123.1	1,484.3	1,937.7	5.9%	5.5%	5.7%	5.5%
LFR goods	1,108.0	1,150.9	1,377.7	1,684.7	1,982.5	1.9%	3.7%	4.1%	3.3%
Other non-food/services	1,169.5	1,222.4	1,388.2	1,638.6	1,881.8	2.2%	2.6%	3.4%	2.8%
Total	4,797.9	5,138.7	6,336.8	8,013.9	9,895.4	3.5%	4.3%	4.8%	4.3%
Total catchment									
Food, liquor, groceries	2,035.0	2,212.2	2,844.2	3,728.9	4,758.4	4.3%	5.2%	5.6%	5.0%
Food dining	882.1	989.2	1,291.9	1,708.9	2,229.7	5.9%	5.5%	5.8%	5.5%
LFR goods	1,297.4	1,348.1	1,614.7	1,976.6	2,325.1	1.9%	3.7%	4.1%	3.3%
Other non-food/services	1,363.4	1,425.5	1,619.5	1,913.0	2,195.6	2.3%	2.6%	3.4%	2.8%
Total	5,578.0	5,975.1	7,370.2	9,327.4	11,508.8	3.5%	4.3%	4.8%	4.3%

Source: Deep End Services; ABS; Market Data Systems; Deloitte Access Economics

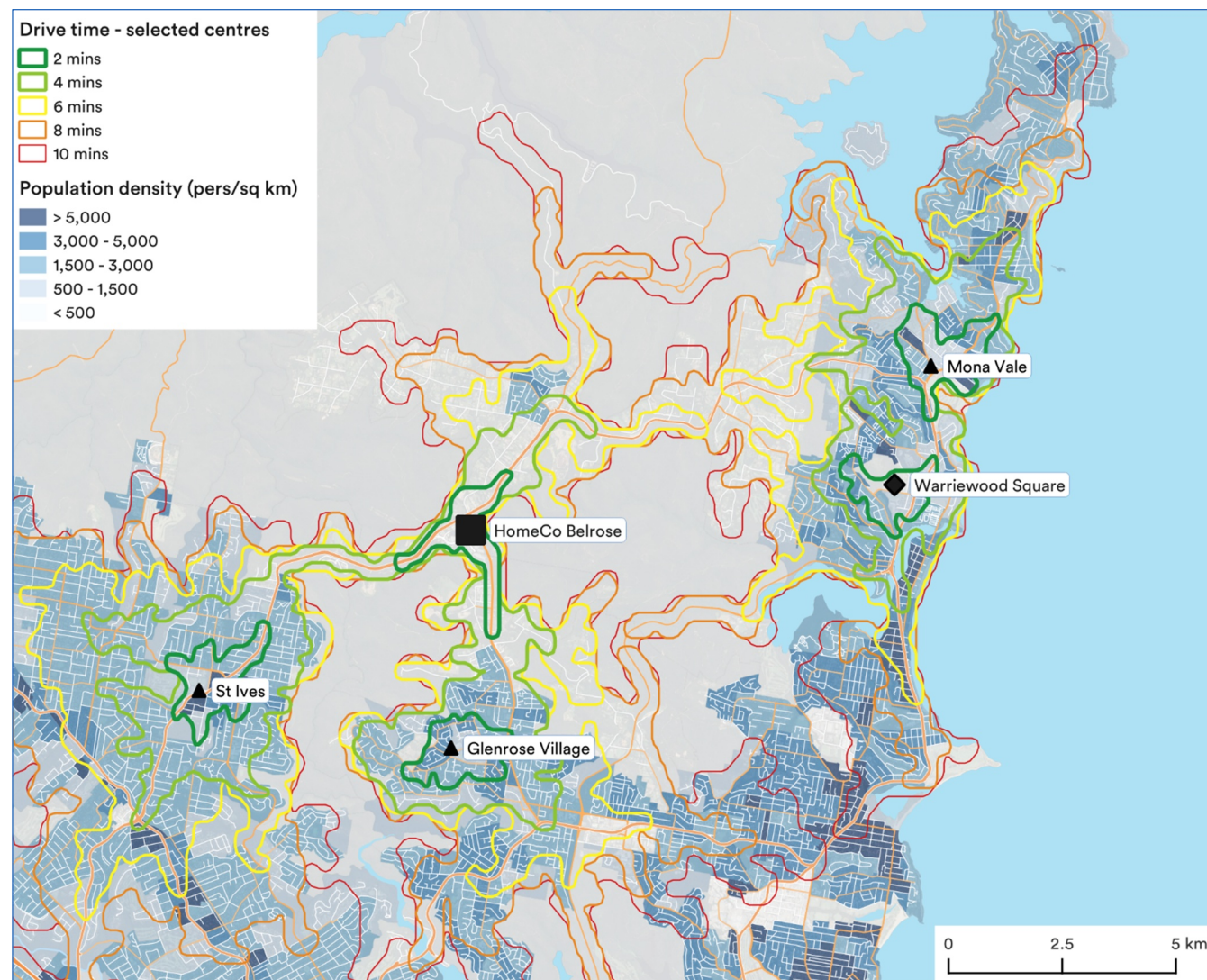
Note: expressed in current dollars

Supermarket role

A mid-sized supermarket at HomeCo would provide a convenient opportunity for workers in the surrounding employment precinct, shoppers already visiting HomeCo Belrose for other purposes, and nearby residents (for example in Terrey Hill) to purchase day-to-day grocery items.

The supermarket would not operate as a weekly grocery shopping destination of the type that would compete directly with established and future centres in the region for various reasons:

- HomeCo Belrose is in an area of low population density (refer map) and has a relatively low immediate population base of only around 4,500 living in Terrey Hills.
- A mid-sized store of up to 2,000 sqm would represent an inferior shopping offer compared to the supermarkets and supporting specialty stores at surrounding centres.
- HomeCo Belrose is less convenient in terms of travel time access when compared to other centres (refer map), each of which are immediately accessible from more densely populated catchments.
- A tenancy within the HomeCo Belrose centre would be less convenient to access in terms of direct at-grade parking, movement of shopping trolleys, etc.



Source: Deep End Services; HERE; ABS

Supermarket sales forecast

A mid-sized supermarket at HomeCo Belrose is broadly forecast to generate sales of approximately \$22m in 2026. This forecast has been made with regard to typical sales performance for stores of this size, and given the role of the store mainly as a location for smaller day-to-day purchases rather than for larger weekly grocery shopping trips.

Sales by source

Source	Sales (\$m)	Share of sales (%)
Workers	\$8.8	40%
Existing shoppers	\$11.0	50%
Dedicated visits	\$2.2	10%
Total sales	\$22.0	100%

As shown in the table above, an estimated \$8.8m in sales is broadly forecast to be associated with workers in the surrounding employment precinct making day-to-day purchases or, in some cases, undertaken supermarket shopping prior to going home. When compared against the 7,300 workers in the Terrey Hills area, and assuming 250 workdays per year, this represents an average of approximately \$4.80 per worker per day.

An estimated \$11m in sales (50% of total sales) is broadly estimated to be associated with existing centre shoppers making small purchases during their visit. With average monthly visitor counts of around 111,000 this represents an average of \$8.25 per customer per trip.

The remaining 10% of sales (or \$2.2m) is estimated to be associated with people making a dedicated shopping trip – this is likely to comprise visits by nearby residents in Terrey Hills choosing HomeCo Belrose in preference to more distant centres.

The derivation of sales by catchment sector is shown in the table below, with this breakdown based on the relative visitation to the centre shown by the mobile geolocation data.

As shown in the table, an estimated 70% of sales (\$15.4m) would be drawn from customers who live within the defined catchment, with the largest shares coming from residents of the Primary sector (25% or \$5.5m) and the Secondary South sector (20% or \$4.4m).

An estimated 30% of sales, or \$6.6m, would be drawn from people living beyond the catchment, reflecting the dispersed nature of customer visitation at HomeCo Belrose (refer map on p6) and the residential address of people working within the surrounding area.

Sales by catchment sector

Catchment sector	Sales \$m	Share of sales (%)
Primary	\$5.5	25%
Secondary North-east	\$3.3	15%
Secondary South	\$4.4	20%
Secondary West	\$2.2	10%
Total catchment	\$15.4	70%
Beyond catchment	\$6.6	30%
Total sales	\$22.0	100%

Impact assessment

Impacts would be generated to the extent that customers at the new supermarket redirect their spending from alternative centres in the region.

These impacts can be broadly estimated by comparing anticipated sales (\$15.4m from the catchment) against the total FLG market to determine the average market share that the new supermarket would achieve. This calculation, prepared at the catchment sector level, represents the average impact across all FLG retailers and is shown in the table below.

Catchment sector	Sales (\$m)	FLG spend 2026 (\$m)	Market share (%)
Primary	\$5.5	\$307.2	1.8%
Secondary North-east	\$3.3	\$540.4	0.6%
Secondary South	\$4.4	\$994.7	0.4%
Secondary West	\$2.2	\$369.9	0.6%
Total catchment	\$15.4	\$2,212.2	0.7%
Beyond catchment	\$6.6		
Total sales	\$22.0		

According to this analysis, the new supermarket at HomeCo Belrose would capture 0.7% of all FLG spending in the catchment, and therefore on average this would be the impact on the food shopping sector as a whole. More particularly, the store would achieve a 1.9% share of spending on FLG within the primary sector, with lower shares (and therefore impacts) elsewhere.

Overall, the store would capture only a small proportion of spending, with this distributed among many centres and individual retailers and therefore generating low trading impacts.

An alternative approach is shown in the table below, in which supermarket sales have been broadly estimated for all existing supermarkets within each catchment sector (by applying a typical industry average), and then impacts are calculated by assuming that sales achieved by the new supermarket at HomeCo Belrose within each would be taken from existing supermarket sales in that sector.

This is an inaccurate estimate of potential competitive effects because it applies only to existing supermarkets and does not allow for shopping flows between sectors – for example some Primary sector residents would direct their supermarket shopping to stores in another sector (such as Ingleside residents shopping at Warriewood or Mona Vale).

Nevertheless, when applying this methodology the resultant direct impacts on other supermarkets are still low, at a maximum of -6.6% for supermarkets in the Primary sector (noting that this is likely to be an over-estimate for reasons stated above).

Sector	Existing supermarkets		New store effects	
	Floorspace (sqm)	Sales (\$m)	Sales (\$m)	Impact
Primary	6,130	\$82.7	\$5.5	-6.6%
Secondary North-east	23,250	\$313.9	\$3.3	-1.1%
Secondary South	35,130	\$474.2	\$4.4	-0.9%
Secondary West	9,510	\$128.3	\$2.2	-1.7%
Total	74,020	\$999.2	\$15.4	-1.5%
Beyond catchment			\$6.6	
Total sales			\$22.0	

In summary, competitive impacts would be low and would not alter the role or performance of existing or planned centres.

Economic outcomes

The proposed inclusion of a mid-sized supermarket at HomeCo Belrose would generate a range of positive economic and community effects:

- An employment uplift would be created due to the replacement of floorspace occupied by an LFR retailer typically generating employment at a rate of one job per 60-70sqm floorspace by a supermarket that generates employment at approximately one job per 25-20sqm. This uplift would be equivalent to approximately 45 employment positions.
- Employment would be generated during the reconfiguration and fit-out of the store.
- The new supermarket would provide an improvement in the offer of day-to-day services for people who work within the centre and in the surrounding employment precinct.
- Day-to-day convenience shopping would also be available for shoppers already visiting the centre to undertake purchase of LFR goods.
- A widening of the daily convenience offer and inclusion of a new supermarket would help to sustain and improve the performance of the HomeCo Belrose centre.
- The inclusion of day-to-day shopping would improve the local amenity available within the employment precinct, and therefore help to attract new businesses and support the precinct's role as a key centre of economic activity.

As demonstrated in this report, the inclusion of a mid-sized supermarket would little or no discernible impact on the role and performance of existing centres in the surrounding region. No supermarkets in existing centres would be under threat of closure and the proposed modification of consent would have no effect on the future development opportunity at Frenchs Forest.

Conclusions

1. HomeCo Belrose occupies a strategic position in the north-west part of Northern Beaches where it helps to sustain a key employment precinct containing around 7,300 jobs, with further employment creation to occur with the completion of the Wyvern Private Hospital.
 2. The centre represents a significant destination for large format retailing in northern Sydney, with the closest alternative centres at Chatswood East and Artarmon and scattered LFR businesses in Balgowlah and Brookvale.
 3. The centre is well-represented in furniture, homewares and recreational type tenants, but has significantly lower representation of non-LFR tenants which typically involve gyms, discount variety stores and supermarkets/grocery stores.
 4. Based on mobile geolocation data, the centre draws customers from throughout Northern Beaches and beyond. Moreover, many customers work within the surrounding Austlink Business Park and elsewhere in Terrey Hills and surrounding areas.
 5. The centre's catchment – determined by the customer visitation data – has a population of nearly 250,000 people, with ongoing growth expected due to some new land releases, infill development and urban regeneration in places such as Frenchs Forest.
 6. Growth in retail spending is forecast to be substantial, and this will help to sustain additional retail development throughout the region.
 7. A new supermarket at HomeCo Belrose will have a limited role due to its smaller size, location within an LFR centre and lack of immediate residential catchment.
- Importantly, other supermarkets at centres such as Glenrose Village, Warriewood and Mona Vale are far better located with respect to their immediate residential catchments and surrounding population density.
8. A supermarket of around 2,000 sqm would achieve store sales in the order of \$22m, drawn from a mix of local workers, existing shoppers, and some dedicated visits by residents in Terrey Hills and other nearby areas.
 9. Having regard to the likely source of sales by catchment sector, and the available spending within each sector, the supermarket would capture just 0.7% of spending on food grocery shopping across the catchment, and 1.8% within the primary sector. These shares represent the likely average impact on all food retailers within the catchment, and are so low as to generate little or no competitive adverse effect.
 10. When measured against existing supermarket sales the impacts average -1.5% across the catchment and -6.6% for supermarkets in the Primary sector (albeit with this likely to be an overestimate). These impacts are low and would not alter the role or performance of existing centres.
 11. The inclusion of a mid-sized supermarket would generate benefits in the form of employment uplift (around 45 jobs), an improved day-to-day service offer for workers and shoppers, and an overall improvement in the amenity and potential economic performance of the centre and the surrounding employment precinct.