

3 May 2023

Andrew Boustred
HMC Capital
Level 7, 1 Macquarie Place
Sydney NSW 2000

Dear Andrew

HomeCo Belrose rooftop extension economic assessment

As requested, this letter presents an assessment of the economic implications arising from an application for additional retail floorspace to be developed as part of a rooftop extension that received approval in 2015 (DA2014/1369).

Background

HomeCo Belrose (formerly known as Belrose Super Centre) is a large format retail (LFR) centre of approximately 36,570 sqm located across two sites on Niangala Close, Belrose, within the Austlink Business Park at the intersection of Mona Vale Road and Forest Way.

The centre has operated successfully since 2006 and occupies a strategically important location at the confluence of two major roads, from which it serves an extensive catchment across the Northern Beaches and upper North Shore region.

DA2014/1369 granted approval for construction of a rooftop extension to accommodate an additional 2,290 sqm retail floorspace. The application was accompanied by an Economic Impact Statement (EIA) prepared by Deep End Services in April 2015, which concluded that the proposed new tenancy would represent a minor expansion of the centre, generate local job opportunities, and have a negligible adverse competitive effect on surrounding activity centres.

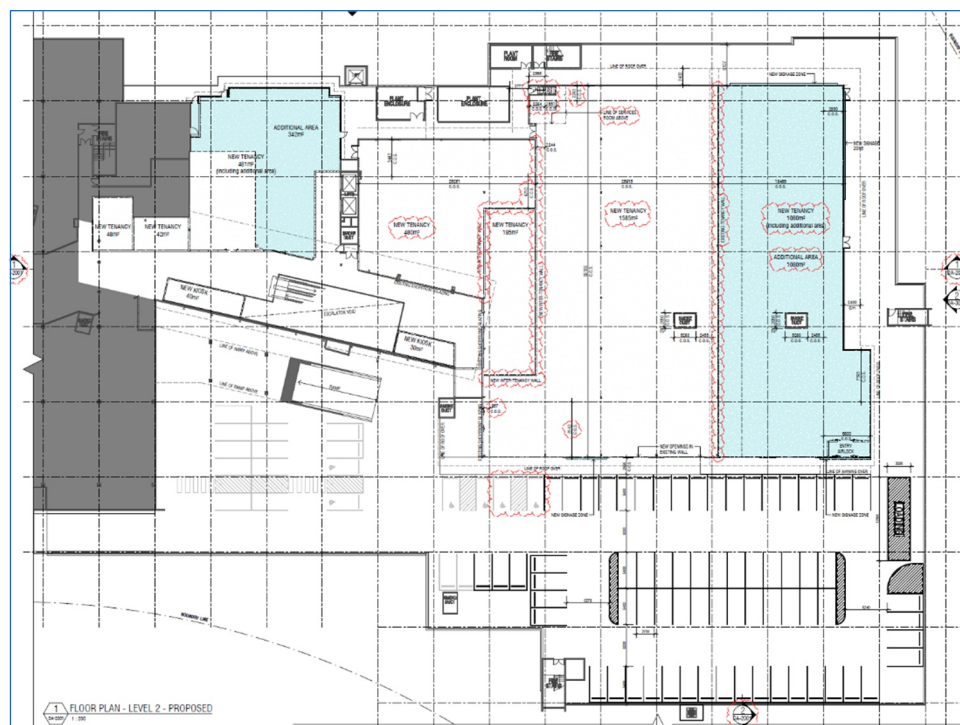
Proposed DA

HMC Capital is seeking approval for alterations and additions that would incorporate an additional 1,422 sqm of retail floorspace on the rooftop level and reconfigure the tenancies to provide five larger tenancies (> 500 sqm) and four kiosks and smaller tenancies (refer Figure 1).

For the purposes of this assessment, the development application ('DA') is for an additional 1,422 sqm of floorspace, likely to consist mainly of specialised retail premises but also potentially take away food and drink premises, shops, or business premises in accordance with the E3 Productivity Support Zone under the Warringah LEP 2011.

Figure 1—Proposed floorplan

Source: Buchan



Catchment analysis

HomeCo Belrose is a successful LFR centre of 36,570 sqm, of which around 34,250 sqm GFA 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 Gladesville and scattered LFR tenants at Balgowlah North and along Pittwater Road at Brookvale. Traditional centres also have a (much lesser) role with individual LFR-type tenants.

The additional 1,422 sqm associated with the current DA represents an increase of less than 4% of the size of HomeCo Belrose.

The centre serves a catchment that has been determined from mobile geolocation information obtained from mobile devices that have location services turned on. This data 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.

As displayed in Figure 2, the catchment extends throughout the Northern Beaches and North Shore region, and includes:

- A Primary sector which surrounds the site within around 5km to the south and west and 8km to the east towards Mona Vale
- A Secondary north-east sector extending from Narrabeen Lagoon north to Palm Beach
- A Secondary south-east sector from Narrabeen to Manly and Middle Harbour
- A Secondary west sector which extends as far as Gordon and Turramurra on the Pacific Highway.

Figure 2—HomeCo Belrose catchment

Source/Notes/Desc



The catchment has an estimated residential population of around 325,000 in 2023, as shown in Table 1 over the page, with nearly 44,000 people living in the Primary sector. By 2025 the catchment is projected to have 330,000 residents as growth recovers post-COVID, and then increase further to 336,325 persons in 2030.

Average spending levels by catchment residents are much higher than the Sydney average (refer Table 2), reflecting the relative affluence and larger properties.

When combined with the catchment population, the total available retail spending by catchment residents is approximately \$6.9bn, increasing to \$7.5bn in 2025 and \$8.8bn in 2030.

Catchment spending on LFR goods is estimated at \$1.74 bn in 2023 and is projected to be \$1.82bn in 2025 and \$2.11bn in 2030.

These are very significant levels of expenditure that will support existing businesses and new retail entrants over the period 2023 to 2030.

**Table 1—
Catchment
population**

Source: Deep End
Services; ABS; DPE
(2022)

Catchment area sector	2016	2019	2023	2025	2030
Population					
Primary	44,103	44,614	43,945	44,695	46,380
Secondary North-East	59,153	59,827	59,115	59,790	60,450
Secondary South-East	173,504	175,748	172,170	174,420	177,320
Secondary West	47,692	49,497	49,860	50,710	52,215
Total	324,452	329,686	325,090	329,615	336,365
Population growth (no. per annum)					
Primary	-	170	-167	375	337
Secondary North-East	-	225	-178	338	132
Secondary South-East	-	748	-895	1,125	580
Secondary West	-	602	91	425	301
Total	-	1,745	-1,149	2,263	1,350
Population growth (% per annum)					
Primary	-	0.4%	-0.4%	0.8%	0.7%
Secondary North-East	-	0.4%	-0.3%	0.6%	0.2%
Secondary South-East	-	0.4%	-0.5%	0.7%	0.3%
Secondary West	-	1.2%	0.2%	0.8%	0.6%
Total	-	0.5%	-0.4%	0.7%	0.4%

**Table 2—Average
spending**

Source: Deep End
Services; ABS;
Market Data
Systems

Spending category	Primary	Secondary North-East	Secondary South-East	Secondary West	Total	Sydney
Large format retail						
Automotive parts & accessories	\$676	\$620	\$576	\$642	\$608	\$473
Coverings	\$250	\$227	\$179	\$245	\$207	\$173
Electrical	\$1,629	\$1,725	\$1,798	\$1,910	\$1,779	\$1,592
Furniture	\$546	\$593	\$622	\$615	\$605	\$510
Hardware & garden	\$1,300	\$1,164	\$943	\$1,251	\$1,078	\$788
Homewares	\$454	\$471	\$465	\$562	\$480	\$392
Other LFR	\$589	\$600	\$585	\$642	\$597	\$461
Sub-total LFR	\$5,444	\$5,400	\$5,168	\$5,866	\$5,355	\$4,388
Comparison to Sydney average	+24.1%	+23.0%	+17.8%	+33.7%	+22.0%	
Other categories						
Food & groceries	\$7,883	\$8,118	\$7,933	\$7,964	\$7,964	\$7,317
Dining out	\$2,744	\$2,947	\$3,249	\$3,154	\$3,111	\$2,675
Other (non-food & services)	\$4,998	\$4,960	\$4,922	\$5,468	\$5,023	\$4,028
Total retail	\$21,069	\$21,425	\$21,272	\$22,451	\$21,453	\$18,409
Comparison to Sydney average	+14.4%	+16.4%	+15.6%	+22.0%	+16.5%	

**Table 3—
Catchment
spending**

Source: Deep End
Services; ABS;
Market Data
Systems

Spending by category (\$m)	2016	2019	2023	2025	2030
Large format retail					
Automotive parts & accessories	164.5	166.8	197.6	205.9	236.9
Coverings	56.8	57.7	67.4	70.0	78.3
Electrical	433.8	424.3	578.4	609.8	701.4
Furniture	166.0	168.5	196.7	204.3	228.3
Hardware & garden	293.3	303.8	350.6	368.7	455.5
Homewares	131.3	133.4	155.9	161.9	181.0
Other LFR	172.0	170.2	194.1	203.6	232.0
Sub-total LFR	1,417.8	1,424.7	1,740.7	1,824.1	2,113.3
Other retail	4,337.3	4,745.8	5,233.4	5,679.8	6,719.7
Total retail	5,755.1	6,170.4	6,974.2	7,503.9	8,833.0

Economic effects

Economic effects arising from retail development can be positive (employment creation, improvements in choice, price competition and convenience for shoppers, and so on) or negative (adverse competitive impacts on existing centres such that businesses close and the community is made worse off overall).

In the case of a small increase of 4% in retail floorspace at HomeCo Belrose, these effects are relatively small but overwhelmingly positive.

The positive effects would include an estimated 20 or so staff positions created within the additional 1,422 sqm floorspace, based on typical averages for large format retailers. This translates to around 15 or so 'full-time equivalent' jobs. Indirect jobs would also be created in the wider economy.

The new tenants would expand the range and/or depth of retail on offer for the local community, at a location that has proved successful and is convenient to people living in the catchment given the lack of dedicated LFR centres elsewhere in this part of Sydney.

The introduction of just 1,422 sqm of additional retail floorspace would have no effect on other centres in the region. For example, at typical averages the additional sales generated by this floorspace would be likely no more than around \$5-6m, which is an insignificant amount in the context of a spending market of \$7.5bn (it represents less than 0.1% of the market) of which \$1.8bn (of which the additional sales represents less than 0.4%) is spent on LFR merchandise. In any case, a large share of the 'impact' would involve competition with retailers within HomeCo Belrose itself.

Conclusion

The DA would add just 1,422 sqm of floorspace within a rooftop extension to HomeCo Belrose.

The introduction of new tenancies reflects the strong performance of the centre as the dominant location for LFR shopping across the Northern Beaches and upper North Shore region, serving a catchment that is expected to grow in population and spending terms.

The additional floorspace would have an overwhelmingly positive economic impact, consisting of jobs created within the new tenancies and consumer benefits such as improvements in range, convenience and competition. There would be no adverse effects on other centres in the region.

Kind regards

A handwritten signature in black ink, appearing to read 'Matthew Lee'.

Matthew Lee
Principal