

# Chatswood Chase



## Economic Impact Assessment

Prepared for : Colonial First State Property Management

May 2007

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# Introduction

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This report provides an independent assessment of the possible economic effects resulting from the proposed expansion of Chatswood Chase Shopping Centre in Sydney.

## Format of Report

The report includes six sections as follows :

- **Section 1** identifies the location of the centre and considers accessibility and other characteristics of the site. Retail planning issues are also considered regarding the role of Chatswood Town Centre and the proposed centre.
- **Section 2** defines the trade area likely to be served by the centre and provides an assessment of current and forecast trade area population and spending levels. The socio-economic characteristics of the population are also examined.
- **Section 3** reviews the existing and likely future range of competing retail facilities throughout the region of relevance to Chatswood Chase. This section also addresses the current level of escape expenditure of Willoughby residents to competing centres outside of the local area, as well as determining future floorspace requirements and how future retail proposals meet this demand.
- **Section 4** provides an analysis of the existing trading performance of Chatswood Chase, including the market shares of total available retail spending currently being achieved from each of the defined trade area sectors.
- **Section 5** outlines the forecast turnover potential of the proposed expansion. The section then outlines the additional turnover likely to be attracted to the centre.
- **Section 6** provides an assessment of the impact of the expansion on competitive retail facilities. Potential positive effects of the development, such as employment, the enhanced retail offer and strengthened role of Chatswood Town Centre, are also considered.

# Executive Summary

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## Development Description and Retail Planning

1. Chatswood Chase is a regional shopping centre located approximately 9 kms north of the Sydney Central Business District (CBD), in the suburb of Chatswood. The centre is easily accessible from the northern region of Sydney, however access from the east is restricted by Middle Harbour which acts as a barrier, and west of the site is less direct with the Pacific Highway and Central Business Area (CBA) congestion restricting access.
2. The centre currently contains around 49,300 sq.m of retail Gross Leasable Area (GLA), including a David Jones department store, Kmart Discount Department Store (DDS), a number of mini-majors including Harvey Norman, Country Road, Natuzzi and Kids Central, and approximately 140 specialty retailers (including retail kiosks).
3. Colonial First State Property Management are proposing an expansion to the property, which involves the addition of 11,700 sq.m of total GLA to the centre. This will include 7,100 sq.m of specialty floorspace. The extension is proposed to incorporate a relocated and expanded supermarket as well as additional mini-majors and specialty retailers. The redevelopment will also improve the centre frontage and entrance on Victoria Avenue, with reconfiguration of the centre at the southern and central areas, and development of a multi-storey carpark.
4. Although the overall scale of the expansion is minor in comparison with the size of the existing centre and the retail floorspace requirement of the Chatswood Town Centre, an assessment of the economic impact of the expansion is still required to understand the effect of the proposal on other centres in the region, and on the role of the Town Centre.
5. The importance of Chatswood Town Centre is reflected by its role as the major centre on the North Shore, providing a range of shopping, business, employment, civic, residential and recreational uses. In order to maintain Chatswood Town Centre's role as a major centre in the future, increased retail floorspace is required.
6. Chatswood Chase is one of two regional shopping centres located in the Chatswood Town Centre. Chatswood Chase anchors and acts as an attractor for the eastern end of Victoria Avenue. It provides an upmarket offer which contributes to a diversity of retail within the Town Centre. The proposed expansion will build on the strengths of the current centre and further complement and strengthen the role of the Chatswood Town Centre.

## Trade Area Analysis

7. The trade area served by Chatswood Chase and Chatswood in general is extensive, covering a large area of Sydney's North Shore. At June 2006, the estimated resident population in Chatswood Chase's trade area was 428,200. Driven by continued urban consolidation, population growth in the trade area is forecast to continue to grow at around 0.4%-0.5% to 2016, marginally below the historic rate.
8. On the whole, trade area residents are highly affluent, with average per capita incomes well in excess of the Sydney average.

## Executive Summary

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9. Reflecting high incomes across the trade area, average per capita spending in Chatswood Chase's main trade area is estimated at \$12,338, some 19% above the Sydney average and 24% above the average across all Australian capital cities. Total trade area retail spending is estimated at \$5.26 billion in 2006 (excluding GST). This is expected to grow strongly over the next few years.

### Existing and Future Retail Structure

10. Chatswood Chase faces a wide variety of competitors. The major competing retail facilities within the area are as follows :
- The **Chatswood Town Centre** comprising Westfield Chatswood and a range of strip based retailers. **Westfield Chatswood** is located 200 metres from Chatswood Chase and contains around 68,100 sq.m of retail floorspace. The remainder of the Town Centre's retail floorspace is generally concentrated around Victoria Avenue and the pedestrian mall. While Chatswood Chase competes to some extent with other Chatswood retail facilities, the different components each have a different focus and appeal, enhancing the overall attractiveness of Chatswood.
  - The regional shopping centres of **Warringah Mall**, **Macquarie Centre** and **Westfield Hornsby**. Warringah Mall is the largest centre in the region, with over 100,000 sq.m of retail floorspace.
  - The **Sydney CBD** which contains around 550,000 sq.m of retail floorspace, comprising Myer and David Jones, as well as an extensive range of specialty retail, from high-end to budget retailers.
  - There are also a range of supermarket centres and other centres which provide for the convenience needs of local residents which operate in the vicinity of Chatswood Chase.
11. There are a number of competitive developments that are either proposed or underway which will have varying degrees of impact on Chatswood Chase. The main developments of relevance are expected at the Chatswood Interchange, Civic Place (Chatswood), Glenrose Shopping Centre in Belrose, Lane Cove and the Sydney CBD.
12. A substantial proportion of expenditure from Willoughby residents escapes out of the region to centres located outside of Willoughby. Chatswood, as the major retail centre in the region, needs to continue to develop to ensure local resident spending is retained. However, given Chatswood Town Centre's role as a major centre serving an extensive trade area, a large proportion of turnover for centres in Chatswood is derived from residents outside of Willoughby.
13. Future population and retail spending growth in the primary trade area is expected to support more than 40,000 sq.m of retail space over the next 10 years. Chatswood should be the focus for much of this growth. The expansion of Chatswood Chase will cater to some of this additional floorspace requirement, but will still allow scope for additional retail floorspace to be provided.

## Executive Summary

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### Current Centre Performance.

14. Chatswood Chase generated an annualised retail turnover of \$359 million in the year ending January 2007 (excluding GST). At \$7,237 per sq.m, turnover productivity at Chatswood Chase is 34% higher than the regional shopping centre average (as detailed in *UrbisJHD Retail Averages 2005/06*). This turnover performance highlights that despite being a relatively small regional centre, the turnover generated is above regional average levels, both in volume and productivity terms, indicating there is the need and demand for additional floorspace at the centre.
15. Currently, Chatswood Chase attracts an 8.4% share of retail spending in the main trade area, including a 15.1% market share in the primary trade area. The main trade area market share is lower than expected for regional centres, which is largely attributable to its low provision of floorspace. These low market shares are offset by its ability to draw strongly from beyond the trade area.

### Forecast Turnover Potential

16. The turnover potential for Chatswood Chase has been assessed for the Development application scheme, which comprises an 11,400 sq.m expansion (including 10,800 sq.m retail), and a Do Nothing case.
17. For the Do Nothing case, assuming Chatswood Chase does not expand, the centre's retail turnover would increase to a forecast \$384.4 million in 2010 (expressed in constant 2006 dollar terms and excluding GST). This forecast takes into consideration the impact from new competitive developments expected to occur over this timeframe.
18. Under the Development Application case, Chatswood Chase is expected to achieve an increase in total centre retail turnover to \$475.7 million in 2010.

### Economic Impact Assessment

19. The majority of the impact from an expansion to Chatswood Chase would be experienced by the largest and closest centres. These centres are currently estimated to be trading at a level that can easily absorb the impacts indicated in the following table, without affecting the role served by those centres :

Turnover Change vs. 201 (Development Application Case)		
Retail Area	\$ million	% Impacts
Sydney CBD	-16.1	-0.4%
Westfield Chatswood	-10.9	-2.6%
Chatswood CBA Other	-3.9	-2.4%
Lane Cove	-3.9	-2.5%
Macquarie Centre	-3.8	-0.7%

## Executive Summary

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20. The likely impacts resulting from the expansion of Chatswood Chase are therefore mainly concentrated, in dollar terms, on the large centres which would not be substantially affected by impacts of the scale indicated. All centres perform well and impacts from the proposal on surrounding centres are expected to be minimal. Market growth will also offset the majority of impacts.
21. The proposed expansion to Chatswood Chase would result in significant additional employment of retail and associated workers, full-time and part-time.
22. Other economic effects likely to result from the expansion include greater convenience, greater choice for consumers and increase price competition.
23. As a way of a summary, and in response to some key questions raised by the Willoughby Council, our analysis indicates the following :
  - Chatswood Town Centre is the premier retail and business centre on the North Shore of Sydney.
  - Within the Town Centre, Chatswood Chase is a critical component, accounting for around a third of retail facilities and providing a strong anchor at the eastern end of Victoria Avenue.
  - The major components of the Town Centre serve very different roles : Westfield Chatswood caters to a broad, largely middle market; the Chatswood mall / strip offers a range of services providers and an Asian focussed food component; Chatswood Chase targets an older, high-end market, focussed on fashion and quality food. The diversity of the combined retail offer broadens the appeal of Chatswood, and has entrenched it as the key precinct in the region.
  - Despite the diversity of retail facilities, local Willoughby residents are still directing a large proportion of their retail spending to centres outside of the local area.
  - Over the next 10 years or so, we expect there to be demand for a further 30,000 sq.m-40,000 sq.m of additional retail floorspace in the local Willoughby area. As the key centre in the region, much of this additional space should be developed in Chatswood. The Chatswood Chase development, in conjunction with the Chatswood Transport Interchange and Civic Place, would contribute to partly meeting future retail needs, and will help to retain local spending in Chatswood.
  - The proposed Chatswood Chase development would build on the centre's current strengths, complementing other components to enhance and broaden the retail offer of the Chatswood Town Centre as a whole. It will thereby contribute significantly to strengthening Chatswood's position as the premier retail destination in the region.
24. The proposed development would, in our view, clearly result in a net community benefit in consumer and economic terms.

# 1 Development Description and Retail Planning

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This first section examines the location and accessibility of Chatswood Chase, and details the components of the proposed development. This section also considers the key retail planning considerations, and the role of the centre and the Chatswood Central Business Area (CBA).

## 1.1 Centre Location and Accessibility

In a regional context, Chatswood is situated around 9 kms north of the Sydney Central Business District (CBD). Chatswood is well located, benefiting from a position close to the Pacific Highway, and geographically central to the prime income belt in northern Sydney (refer Map 1.1).

The Chatswood CBA is situated on the eastern side of the Pacific Highway and is generally bounded by Albert Street in the south, Oscar Street in the east and Malvern Avenue in the north. The CBA is dissected by the North Shore rail line, with the eastern side being predominately retail and the western side housing the commercial office precinct. The CBA is a major commercial, retail and administrative centre and one of Sydney's major employment destinations.

Chatswood Chase Shopping Centre is a regional shopping centre located in the north-east corner of the Chatswood CBA. The centre occupies a good strategic location within Chatswood, anchoring the eastern end of Victoria Avenue, which is the main retail strip in Chatswood. As shown on Map 1.2, access to the centre from the north and south is provided primarily via Archer Street, which links with Boundary Street in the north, providing accessibility from the north-east via Warringah Road and the north-west via the Pacific Highway. To the south, Mowbray Road and Willoughby Road, along with the Pacific Highway, provide access from Sydney's lower North Shore suburbs. Access from the west is more difficult, due to traffic congestion in the Chatswood CBA and the need to cross the Pacific Highway.

Public transport services to Chatswood are particularly good due to the demand which results from the large CBA workforce. However, the Chatswood railway station is located at the western end of the CBA, along with most of the office buildings. Chatswood Chase is therefore undoubtedly well served by public transport, but not on the "ant track" due to its location at the eastern end of the strip. The major pedestrian traffic flows in Chatswood are in the Victoria Avenue Mall, near the railway station.

Map 1.3 shows the drivetime isochrones for Chatswood. This indicates that the major access routes in northern Sydney facilitate good access to Chatswood from all directions with the exception of the area to the east which is separated by water. These travel times assume off-peak travel.

# Development Description and Retail Planning

Chatswood Chase – Regional Location

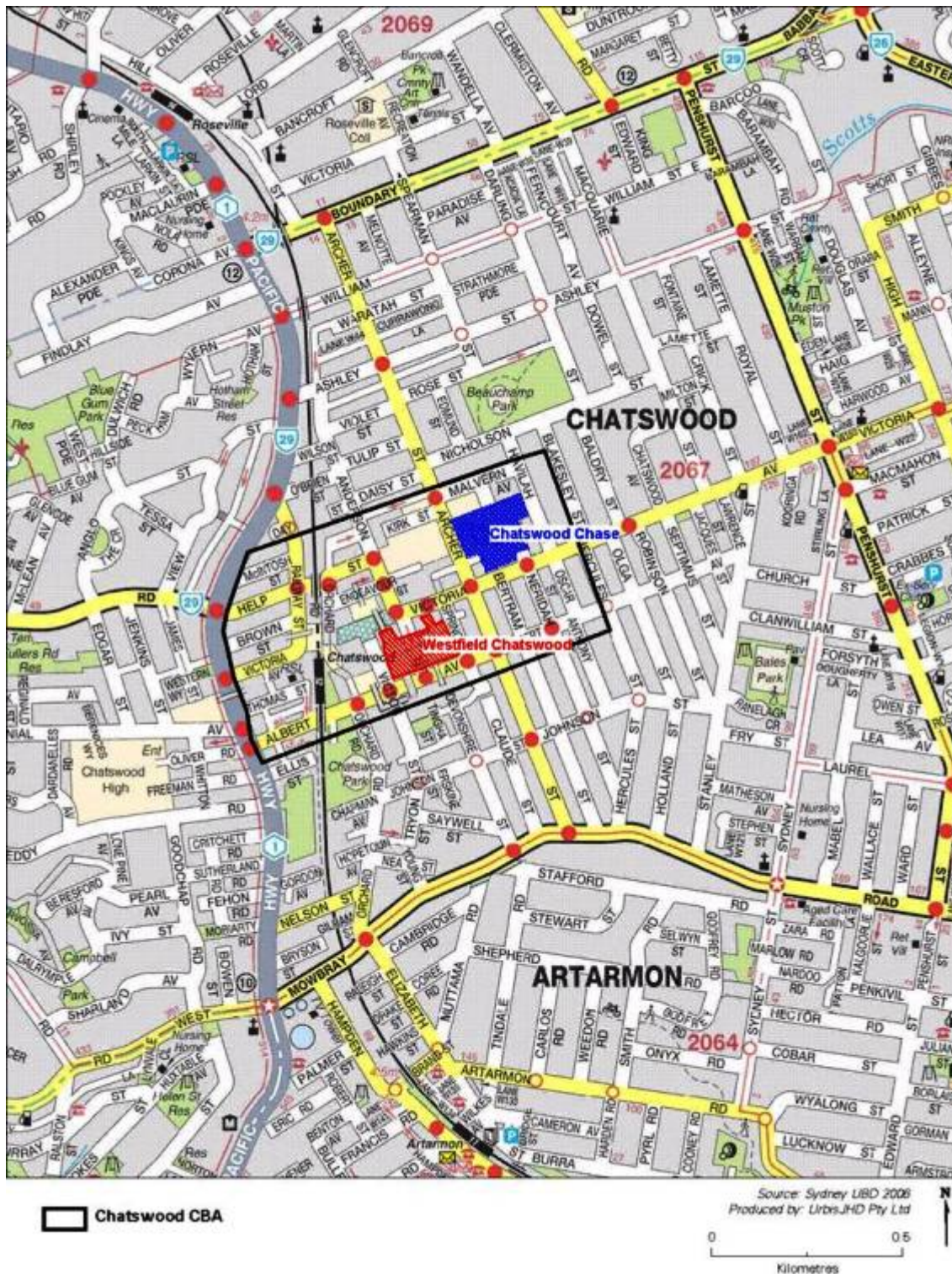
Map 1.1



# Development Description and Retail Planning

Chatswood Chase – Location

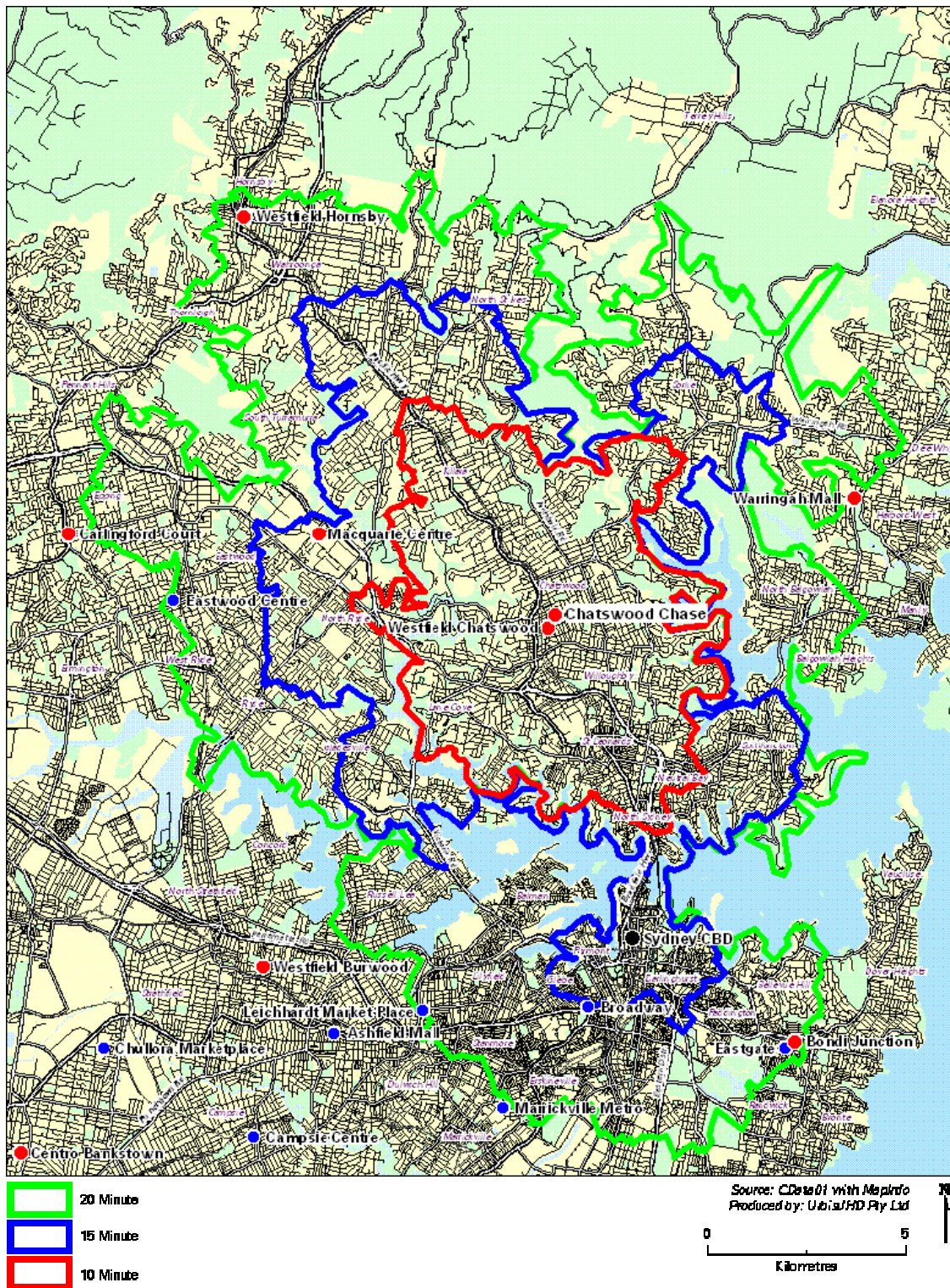
Map 1.2



# Development Description and Retail Planning

Chatswood Chase – Drivetimes

Map 1.3



# Development Description and Retail Planning

## 1.2 Proposed Development

Colonial First State Property Management (CFSPM) are proposing a redevelopment of the Chatswood Chase Shopping Centre. The existing and proposed centre floorplans are discussed further in this section.

### 1.2.1 Existing Centre

The centre currently contains around 49,300 sq.m of retail Gross Leasable Area (GLA). This figure includes retail kiosks and therefore may differ slightly from other estimates of retail floor areas which include only retail shopfronts. The major tenants in the centre are David Jones Department Store, a Kmart Discount Department Store (DDS) and a Coles supermarket. It also consists of Harvey Norman, Country Road, Natuzzi, Kids Central, Priceline Pharmacy, Bay Bee Cino and Fruitezy mini-majors, and approximately 140 specialty retailers. In addition to this the centre also contains a number of other non-retail uses.

The major carparking area is a decked structure at the north-east corner of the site, accessed via Malvern Avenue. This carpark is a multi-level structure which provides direct access to each of the retail areas. Another popular carparking area is provided in the basement, with travelator access up to the Kmart / Coles level.

Chatswood Chase – Existing Floorplan

Figure 1.1



## Development Description and Retail Planning

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### 1.2.2 Proposed Centre

The development scheme proposes to add some 11,700 sq.m of total GLA to the centre. In the resultant 63,000 sq.m centre, the greatest change to the composition of the centre comes through the addition of around 6,500 sq.m of retail specialty space. This addition will take the total retail specialty provision to just under 20,000 sq.m. The major changes to the centre relate to the Lower Ground, Ground Level and Level 1.

Aside from the addition of a Level 2 carpark, it is assumed there will be no change to the layout of this level. However, a re-mix of retailers is expected.

The major elements to the proposed scheme are as follows (refer Table 1.1 and Figures 1.2-1.7) :

- Relocation of the Coles supermarket to the northeastern side of the centre into a 3,565 sq.m store, 921 sq.m larger than the current store.
- Improved frontage and entrance onto Victoria Avenue from the Ground and Lower Ground floors.
- An improved food court offering located upon the existing Coles supermarket site on the Lower Ground, just off the new entrance from Victoria Avenue.
- A new mini-major tenant to operate over three levels in a prominent location at the redeveloped Victoria Avenue entry. This space will provide the opportunity for a new retailer to operate over three levels of the centre. A new mini-major tenant will also be located on the Lower Ground, and a reconfigured and expanded mini-major over Ground and Level 1.
- Reconfiguration of the southern and central areas on the Lower Ground, Ground and Level 1.
- Development of multi-level carpark upon the south-east corner of the site, with direct centre access to the Ground Level, one and two. Access to this carpark will be via a reconfigured entry point off Malvern Avenue.

It is also assumed that the existing Kmart store will be refurbished, but this does not involve a change in floorspace.

# Development Description and Retail Planning

**Chatswood Chase** **Table 1.1**  
**Existing and Proposed Composition of Centre**  
**CASE : DEVELOPMENT APPLICATION EXPANSION**

Tenant Type	Existing <sup>1</sup> (Sq.m)	Net Addition <sup>2</sup> (Sq.m)	Proposed (Sq.m)
<b>Majors</b>			
David Jones	19,275	0	19,275
Kmart	7,990	0	7,990
Coles	<u>2,644</u>	<u>921</u>	<u>3,565</u>
<b>Total Majors</b>	<b>29,909</b>	<b>921</b>	<b>30,830</b>
<b>Mini-Majors<sup>3</sup></b>	<b>5,893</b>	<b>3,431</b>	<b>9,324</b>
<b>Specialty Shops :</b>			
- Food	1,533	1,600	3,133
- Non-Food	<u>11,987</u>	<u>4,876</u>	<u>16,863</u>
Total Retail Specialties	13,520	6,476	19,997
Other Reporting Categories <sup>4</sup>	17	645	662
Vacant Shops	65	-65	0
<b>Total Shops</b>	<b>13,603</b>	<b>7,056</b>	<b>20,659</b>
<b>Total Retail (Property)</b>	<b>49,322</b>	<b>10,828</b>	<b>60,151</b>
<b>Total Property<sup>5</sup></b>	<b>51,300</b>	<b>11,700</b>	<b>63,000</b>

1. GLA as at January 2007. The Total Property figure is not a sum of all figures. It excludes retail kiosks and other external or sundry uses such as advertising space.

2. Net addition of floorspace also may differ slightly from other reported areas due to the inclusion of kiosks in existing specialty figures. The proposed Total Property floorspace shown is as shown in the Development Application.

3. The mini majors in the centre are Harvery Norman, Country Road, Kids Central, Natuzzi, Priceline Pharmacy, Bay Bee Cino & Fruitezy

4. Other reporting categories includes lotto and other non-retail services.

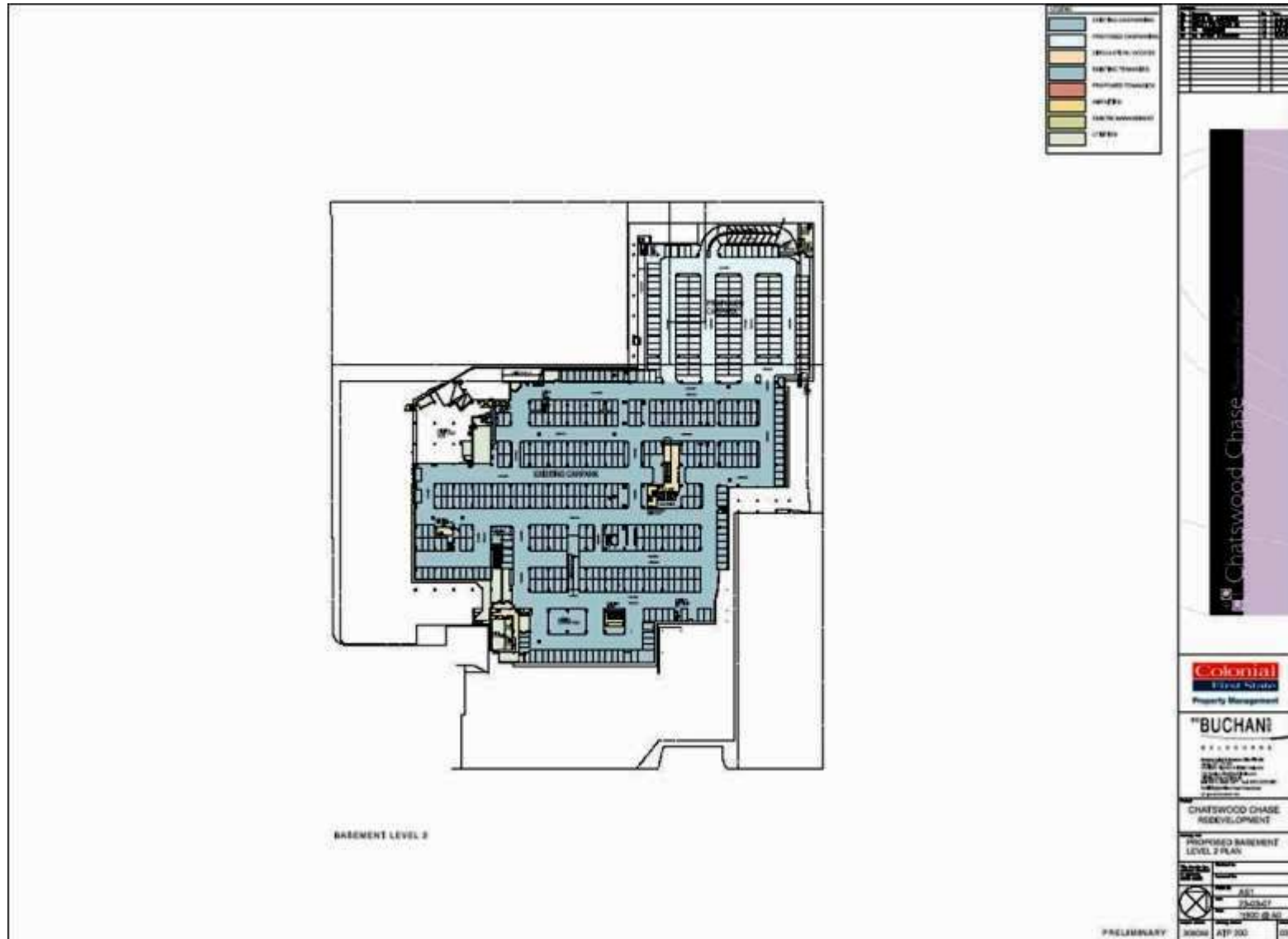
5. Includes offices, storage, and car wash. Excludes retail kiosks and sundry uses eg. Advertising space, antennas.

Source : Colonial First State Property Management; UrbisJHD

# Development Description and Retail Planning

Chatswood Chase Proposed Layout - Basement Level 2

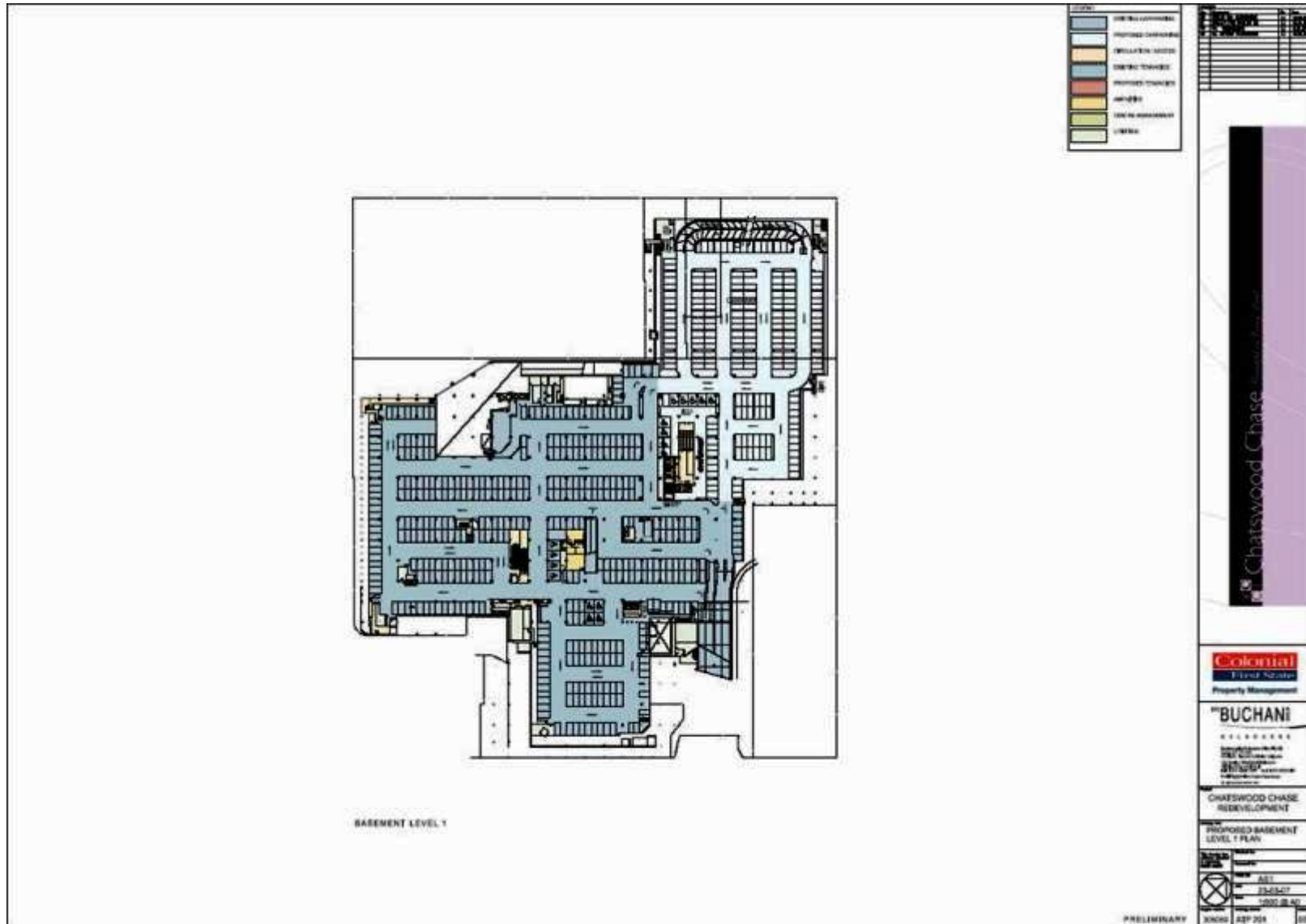
Figure 1.2



# Development Description and Retail Planning

Chatswood Chase Proposed Layout – Basement Level 1

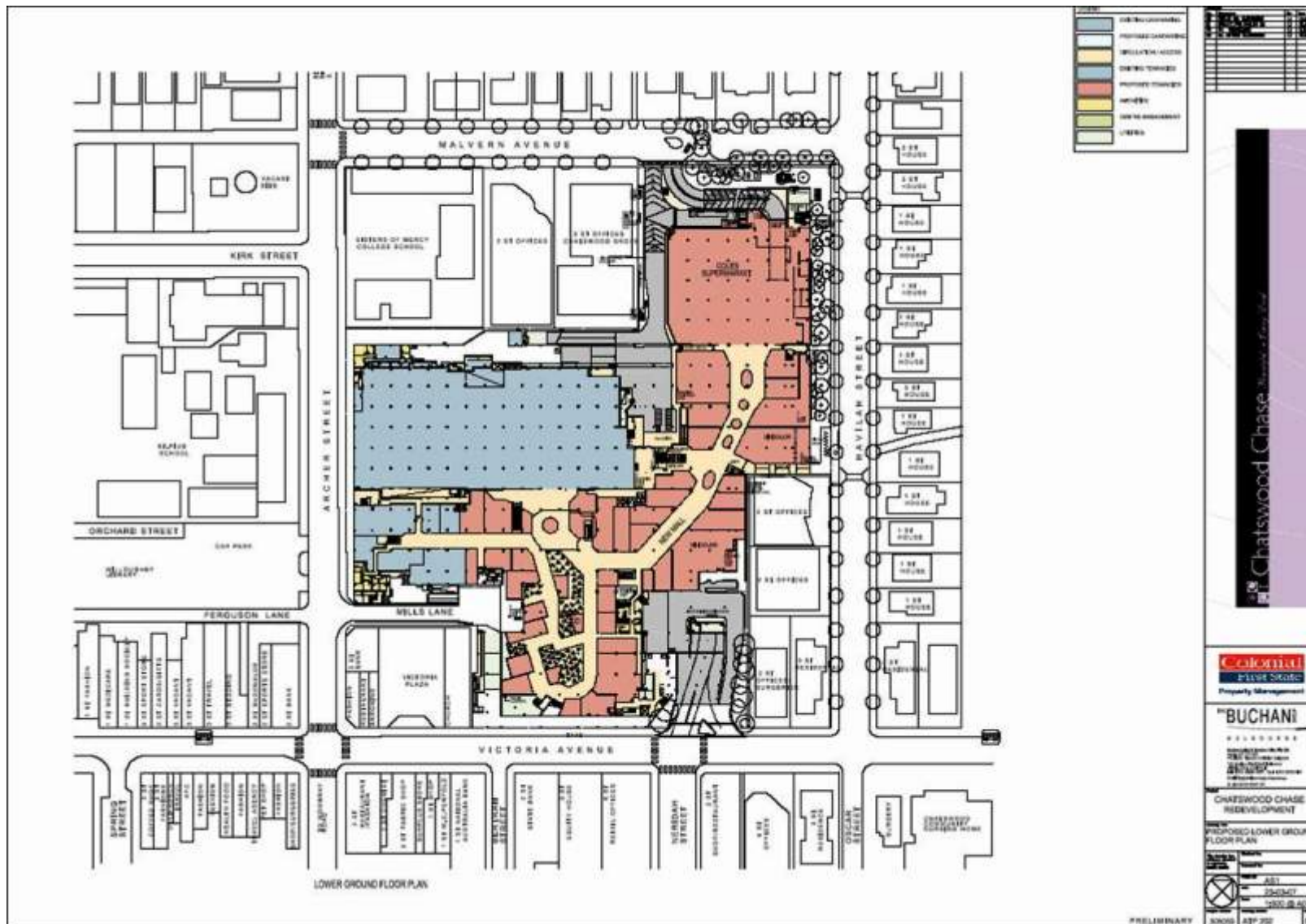
Figure 1.3



# Development Description and Retail Planning

Chatswood Chase Proposed Layout – Lower Ground

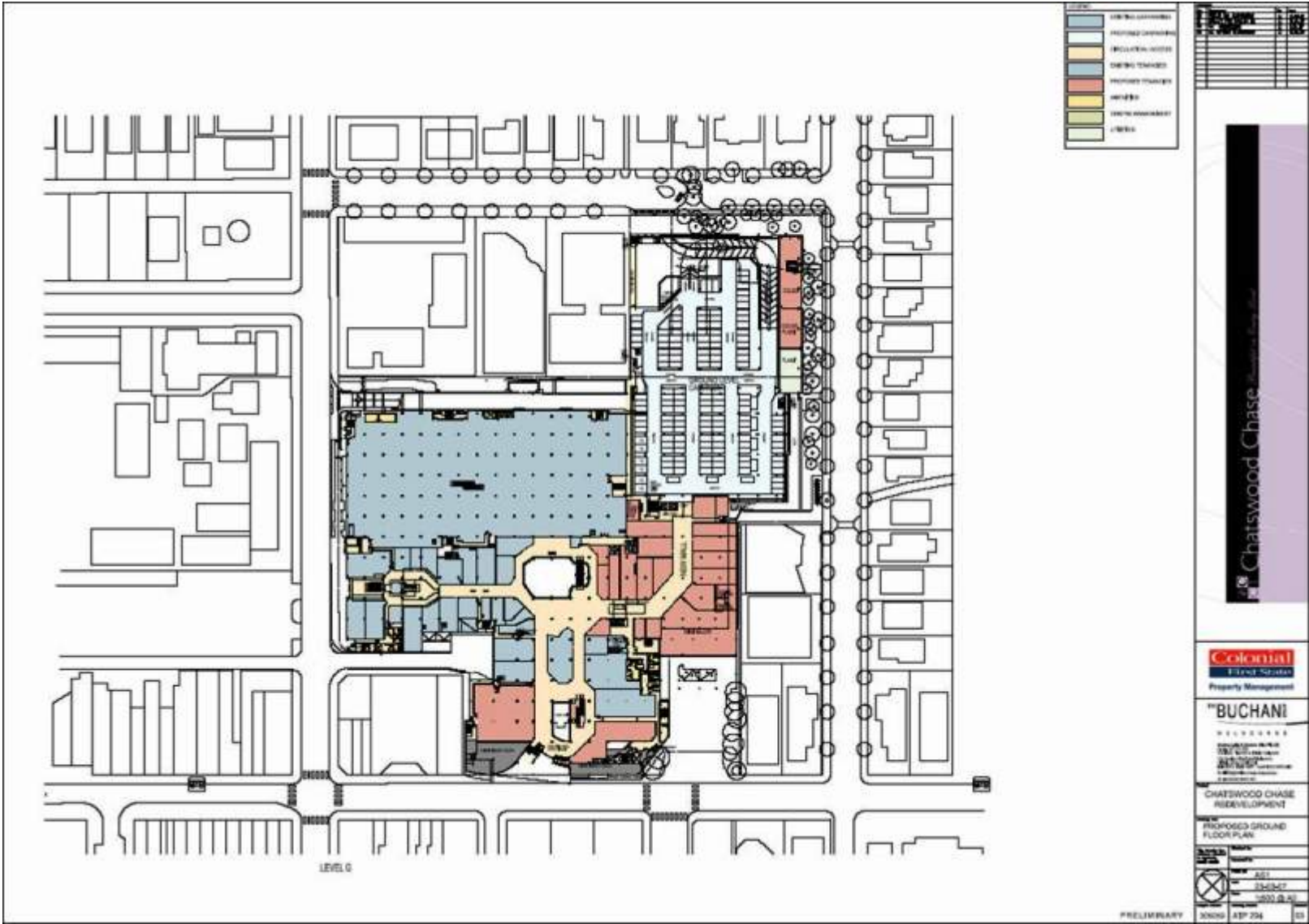
Figure 1.4



# Development Description and Retail Planning

Chatswood Chase Proposed Layout – Ground

Figure 1.5



# Development Description and Retail Planning

Chatswood Chase Proposed Layout – Level 1

Figure 1.6

