

Mildura South Neighbourhood Activity Centre
Economic Assessment

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for VPA and Mildura Rural City Council

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The views expressed in this report are those of the author and are not necessarily endorsed by any other party.

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EXECUTIVE SUMMARY

This report provides an economic assessment of the proposed neighbourhood activity centre (NAC) in Mildura South. It has been commissioned by the Victorian Planning Authority (VPA) and Mildura Rural City Council (Council). It includes an assessment of the land required for housing and retail/commercial activities.

Key Findings: Housing Land

1. The *Mildura South Precinct Structure Plan (PSP)* and the *Mildura South (Deakin and West Sixteenth) Development Plan* (the Development Plan) provide for two hectares of land within the activity centre to be developed for medium density housing, that is, terrace housing, townhouses, small apartments or other housing on lots of 250 square metres or less. This would allow the notional supply of around 56 dwellings (after allowing for roads and local open space), which would be 22% of the total medium density dwelling stock proposed for the Development Plan area. In all, medium density housing would constitute around 13% of the total housing stock in the Development Plan area.
2. There is some feeling amongst key informants for this study that the proposed supply of medium density housing is too large for the likely demand. This may be on the basis that medium density housing is more difficult to develop in a commercial sense than standard density housing in the Mildura context.
3. A review of existing housing stock in Mildura shows that there has been demand for such housing (even if that has been a little slow in the most recent years), with 18% of dwellings throughout Mildura being some form of medium density housing.
4. The Mildura South PSP area forms an extension of the existing urban area. The adjacent neighbourhoods in the existing urban area are themselves recently developed. It seems most likely that the type of housing demand exhibited in these adjacent areas will form a model for the demand in the PSP area, at least in its early stages. Even in these closest neighbourhoods to the PSP area, medium density housing constitutes 14% of the total.
5. Other growth areas in regional cities and metropolitan Melbourne have medium density housing that forms between 9% and 25% of total housing stock. The proposal in Mildura South appears not to be out of the ordinary.
6. From a policy viewpoint, the provision of some medium density housing in the growth area allows the area to be a more complete community in itself, catering for a wider range of household types, aspirations and price points.
7. The goal of having medium density housing within the Mildura South NAC remains sound. The allocation of 2 hectares of land for this purpose will allow for a range of different medium density housing types and appears reasonable as a long term provision.

Key Findings: Retail/Commercial

1. The retail and commercial provision at the activity centre has been allocated an area of 2 hectares by the PSP in order to provide a Neighbourhood Activity Centre with a full line supermarket (3,000 square metres or more) and a range of specialty shops at full development.
2. Analysis for the owners of the activity centre land suggest that there will be insufficient demand for a full-line supermarket and that total retail provision of 2,000 square metres

would be more likely to be viable, along with non-retail services requiring a further 2,000 square metres of floorspace.

3. This present report finds that, with a population of only a little over 8,000 people at full development, the trade area of the Mildura South activity centre will be able to support a medium-sized supermarket (1,500+square metres) a range of specialty shops, with a total retail floorspace of around 3,000 square metres. In addition, the resulting Neighbourhood Activity Centre (NAC) should be able to accommodate a further 750 square metres of non-retail space (banks, travel agents, small professional offices etc). The total land requirement for such a centre, including open space, circulation and parking would be approximately 1.2 hectares. **However**, should the population at full development be a little more than expected (9,000+) or should there be unexpected growth in retail spending per person, there may well be sufficient demand for a larger NAC at Mildura South. Such a centre would need to accommodate a full-line supermarket (3,000+ square metres) and a larger complement of specialty shops and commercial activity. In this case, the 2 hectares that has been allocated for these elements in the PSP will be required.
4. While planning to develop a small NAC in the first instance, it would be prudent to ensure that open space is positioned to allow the expansion of the centre should this be warranted in the future.
5. Regardless of the size of the retail and commercial elements of the centre, they should ideally be integrated with the open space, community facilities and medium density housing into a seamless and vibrant hub that will service the growing community in Mildura South.

1 INTRODUCTION

This report provides an economic assessment of the proposed neighbourhood activity centre (NAC) in Mildura South. It has been commissioned by the Victorian Planning Authority (VPA) and Mildura Rural City Council (Council). The NAC is proposed as a key land-use in the *Mildura South Urban Design Plan: Precinct Structure Plan* (Hansen Partnership, 2014), which is shown below.

Figure 1: Mildura South Precinct Structure Plan



Source: Hansen Partnership, 2017

The Precinct Structure Plan (PSP) recommends that the Mildura South NAC should consist of the following:

- 2ha to be allocated for retail uses which should include a 3,500-4,000 sqm full line supermarket and associated retail suitable for a neighbourhood centre
- 2ha to be allocated for community use
- 2ha to be allocated for public open space, and
- the remaining land – approximately 2ha - to be used for residential with higher density around the retail area.

These areas are to be confirmed through a more detailed master-planning process for the NAC prior to development. This present report is to provide guidance on the housing and retail aspects of the NAC for the masterplan.

The guiding brief for this present report requires that:

the viability of the retail and ancillary commercial uses including a full line supermarket and the market and typology for higher density housing need to be examined including in terms of appropriate yield and total area required. (VPA, 2018)

This report addresses these requirements in several sections.

- Section 2 examines the demand for higher density housing in and around the NAC and the types of housing that might be appropriate in this location
- Section 3 provides a retail/commercial supply and demand analysis
- Section 4 provides a summary and conclusions

An executive summary is provided at the beginning of the report.

2 HOUSING IN THE MILDURA SOUTH NAC

2.1 Forecast Demand for Higher Density Housing

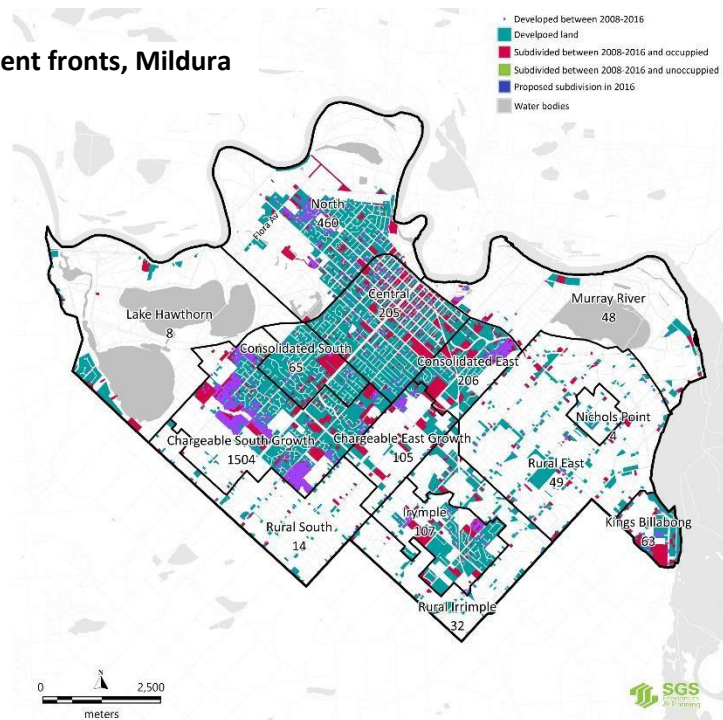
Council has commissioned a recent housing demand analysis for Mildura from SGS Economics and Planning (SGS, 2017). This work is ongoing and has yet to be endorsed by Council. Based on this evolving work, the following table presents current housing forecasts for areas within Mildura; these areas are shown in the diagram below.

Table 1: Demand forecast per growth front, Mildura, 2016 to 2036

| Growth front | Full Capacity | Current 2016 stock | Available Capacity (Lots) | Projected Demand (2016 -2036) | | | Total dwellings |
|-------------------------|---------------|--------------------|---------------------------|-------------------------------|-------------------------------------|--------------------------|-----------------|
| | | | | Separate house | Semi-detached, row or terrace house | Flat, unit or apartment: | |
| Central | 3,926 | 3,884 | 42 | 0 | 0 | 42 | 42 |
| North | 3,556 | 3,010 | 546 | 0 | 218 | 315 | 533 |
| Consolidated East | 815 | 809 | 6 | 0 | 6 | 0 | 6 |
| Consolidated South | 1,819 | 1,812 | 7 | 0 | 7 | 0 | 7 |
| Chargeable East Growth | 697 | 112 | 585 | 20 | 0 | 0 | 20 |
| Chargeable South Growth | 8,884 | 4,660 | 4,223 | 3,052 | 0 | 0 | 3,052 |
| Irymple | 1,825 | 871 | 954 | 200 | 127 | 200 | 527 |
| Nichols Point | 349 | 16 | 333 | 10 | 0 | 0 | 10 |
| Kings Billabong | 226 | 184 | 42 | 30 | 0 | 0 | 30 |
| Lake Hawthorn | 312 | 139 | 172 | 0 | 0 | 0 | 0 |
| Total | 22,408 | 15,498 | 6,910 | 3,312 | 358 | 557 | 4,227 |

Source: SGS, 2017, p15

Figure 2: Development fronts, Mildura



The current forecast anticipates that the “Chargeable South Growth” area, that is, the area containing the Mildura South NAC and surrounds, will take the majority of Mildura’s housing growth over the period to 2036. However, whilst the Chargeable South area is expected to accommodate 92% of new separate houses, none of the forecast medium and higher density housing is currently expected in that area. Instead, this is expected to be located in the established urban areas – mainly North, Central and Irymple.

In all, 21% of new dwellings – 915 – are expected to be medium and higher density over the period to 2036. This compares with 18% of the housing stock which is medium or higher density in 2016. The number of medium and higher density housing types is forecast to grow at a higher rate than the number of standard density separate dwellings over the period.

Discussion

There is an expectation by the forecasters that the ageing population and the evolution of more smaller households will generate higher demand for and take-up of smaller houses at medium and higher densities. This would be in contrast to the recent past both in Mildura and in Non-metropolitan Victoria as a whole where the number of medium and higher density dwellings has grown more slowly than the number of separate dwellings over the period 2006 to 2016 (ABS, 2017). The forecast is based in part on the expectation that non-metropolitan Victoria will become more like Metropolitan Melbourne over time where apartments and other small-lot dwellings have become a much more accepted part of the housing mix. There is a policy bias towards higher density housing in order to develop housing stock that is more suited to social needs and which has a lower environmental impact. Whether this forecast is achieved will depend on a range of factors including housing affordability, changes in household formation, and changing outlooks on environmental responsibility, personal space requirements and urban food production.

The rationale for forecasting that all medium and higher density will locate in established urban areas is not fully explained. The expectation may be that those occupying smaller dwellings are trading off dwelling space for proximity to urban services, especially the retail, commercial and community services found in the established town centres. However, the Mildura South NAC will provide a multi-functional service and employment hub for its local area; there will be advantages to proximity for some people.

2.2 Expectations in the PSP and Development Plan

The PSP does have an expectation that medium or higher density housing will be provided in the PSP area. The PSP identifies land for medium and high density housing mainly along the Sixteenth Street Greenway and in and around the two proposed activity centres. Following the development of the PSP, a slightly more detailed Development Plan for the western part of the PSP area was prepared – the *Mildura South (Sixteenth and Deakin West) Development Plan* (Hansen Partnership, 2014a). This document follows the lead of the *Mildura Housing and Settlement Strategy* (Hansen Partnership, 2013) which advocates setting aside a proportion of residential land for medium and higher density housing. In this case, the Development Plan recommends that on lots over three hectares, 5% of the net residential development area should be developed at 40 dwellings per hectare.

Using information from the Development Plan, the following table provides an estimate of the number and share of medium and high density dwellings that can be expected in the Mildura South (Sixteenth and Deakin West) area.

Table 2: Housing and population capacity, Mildura South (Sixteenth and Deakin West)

| | Land Share % | Total land ha | Developable land (@ 70%) ha | Assumed Dwelling density no. | Estimated dwelling potential no. | Assumed persons per dwelling no. | Estimated population potential no. |
|--------------------------|-----------------|------------------|-----------------------------------|---------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| Medium density housing | 5% | 9.0 | 6.3 | 40 | 251 | 1.8 | 452 |
| Low density housing | 20% | 35.8 | 25.1 | 8 | 201 | 3 | 602 |
| Standard density housing | 75% | 134.4 | 94.1 | 15 | 1,411 | 2.6 | 3,669 |
| Total land area | | 179.2 | 125.4 | | 1,862 | | 4,722 |

Source: Hansen Partnership, 2014a, p38, 39; Tim Nott. (The assumption that 70% of total land will be developable has come from the Victorian Planning Authority, in the absence of a detailed land budget)

This calculation shows:

- There will be 251 medium and high density dwellings at full development - around 13% of the total of 1,862 (compared with 18% currently in Mildura as a whole)
- Total population at full development would be around 4,722 (although Hansen Partnership calculates the ultimate population capacity as 4,400 – see p38 of the Development Plan)

Granted, the forecast prepared by SGS which shows no higher density housing in the PSP area is for development up to 2036; and the calculation based on the Development Plan is for 251 higher density dwellings at full development. Nevertheless, there does appear to be a discrepancy.

2.3 Evidence from Adjacent Neighbourhoods

The Mildura South PSP area forms a smooth south-westerly extension of the existing urban area of Mildura. The adjacent neighbourhoods in the existing urban area have been developed relatively recently. It seems most likely that the type of housing demand exhibited in these adjacent areas will form a model for the demand in the PSP area, at least in its early stages.

The following table looks at the characteristics of family composition and housing type in the six SA1s adjacent to the PSP area, on the north-east side of Sixteenth Street.

Table 3: Family and dwelling type in urban neighbourhoods adjacent to the PSP area, 2016

| | Family/ household type | | Housing type |
|---------------------|---------------------------|---------------------------------|--------------|
| Couples | 63% | Separate houses | 86% |
| One parent families | 12% | Semi-detached, row or townhouse | 13% |
| Lone persons | 22% | Flat or apartment | 1% |
| Other | 4% | | |

Source: ABS Census of Population and Housing

The table shows that there is a diversity of family types, including those that have a higher propensity to live in medium density housing (such as lone persons and one parent families). Housing development in the area has responded to this diversity to some extent. While the great majority of homes are separate dwellings, nevertheless 14% of dwellings are medium density

housing of some form, including a small number of apartments. This corresponds, in broad terms, with the expectations in the PSP.

2.4 Evidence from Elsewhere

Evidence from elsewhere is clear that growth areas contain at least some medium and higher density housing. The following table looks at data from the last Census of Population and Housing (ABS, 2017) for Statistical Area 2s (SA2s) that are predominantly recent urban growth areas.

Table 4: Share of medium and higher density dwellings in selected growth area SA2s, Victoria, 2016

| Growth area (SA2) | Separate dwellings | Medium and high density dwellings | Medium and higher density dwellings as share of total |
|---------------------------|--------------------|-----------------------------------|---|
| Alfredton (Ballarat) | 3,456 | 409 | 10.6% |
| Grovedale (Geelong) | 7,528 | 1,036 | 12.1% |
| Lara (Geelong) | 5,268 | 539 | 9.3% |
| Caroline Springs (Melton) | 5,260 | 690 | 11.6% |
| Truganina (Wyndham) | 4,769 | 1,629 | 25.5% |
| Tarneit (Wyndham) | 7,830 | 1,882 | 19.4% |
| Pakenham South (Cardinia) | 8,358 | 1,058 | 11.2% |
| Cranbourne West (Casey) | 4,037 | 589 | 12.7% |

Source: ABS, 2017

Notes: These SA2s have been chosen because they contain a high proportion of dwellings that have been recently developed; they still have active growth areas; and do not contain significant older activity centres.

Medium and high density dwellings includes semi-detached, row and terrace houses, flats, units and apartments as well as dwellings attached to commercial premises.

The table shows that the share of medium density housing in the selected growth areas is between 9% and 25%. The growth areas of Ballarat and Geelong are on a par with many of the growth areas in metropolitan Melbourne. Similar comparisons with growth areas in smaller regional cities are not possible because of the composition of the SA2s in cities such as Shepparton, Wodonga and Warrnambool. Nevertheless, a review of many of the growth fronts in these cities does show some medium density housing, especially retirement villages and older persons accommodation.

The implication in the Development Plan that around 13% of dwellings will be medium and high density is only slightly higher than the share exhibited in current growth areas in regional centres and less than the 18% currently present in Mildura as a whole or the 14% in adjacent neighbourhoods. As a target in a policy environment that favours smaller dwellings as part of a more diverse housing mix, the share appears very reasonable.

2.5 Medium Density Housing Types

The Development Plan characterises the higher density housing areas as “medium density development”. The preferred forms of development are “townhouse or terrace housing

development, cluster housing and home office accommodation”. “Modest” apartment buildings are also acceptable. The development should not exceed three storeys. Areas earmarked for medium density development could also be used for aged care or retirement villages where the density of accommodation is higher than the surrounding growth area.

2.6 Housing in the Neighbourhood Activity Centre

The PSP identifies approximately 2ha for higher density housing within the NAC. Using the ratios established in Table 4 above, that area would accommodate around 56 medium density dwellings, with an average lot size of 250 square metres.

The 56 dwellings would comprise 22% of the total medium density dwelling stock expected in the Development Plan area. This appears reasonable in the context of the Development Plan in which the NAC provides the largest single block of medium density housing land in the area. This is appropriate given the proximity to services.

The provision of medium density housing is likely to be in the later phases of development of the growth area. By this stage, the activity centre and open space will be at least partly developed and this will allow incoming residents to trade off dwelling space for better access to services.

In terms of market acceptance, the evidence shows that there are already medium density dwellings away from the city centre. As the examination of abutting neighbourhoods has shown and as the adjacent examples demonstrate.

The built form of the existing medium density dwellings is for single storey attached or detached units on lots that are in the 200-300 square metre range. Most developments are in the 10-30 unit range.

2.7 Commentary from Key Informants

Summarising comments from people involved in housing development in Mildura:

- While there is some demand for medium density housing, it has been relatively slow to sell.
- The key problem for some is that the cost to construct a house on a small lot is not sufficiently cheaper than building on a standard density lot. This means that the selling price of a house on a small lot is not sufficiently cheaper than a house on a larger lot, which makes small lots unattractive.

Figure 3: Medium density housing at Marsden Drive



Figure 4: Small lot developments off Fifteenth Street



Source: Google maps

- There is resistance by some to moving from being a sole owner to a body corporate situation.
- In some cases, medium density housing developments have been occupied by owners or tenants with few means to keep the properties in good order. This has resulted in unattractive medium density housing which may be off-putting for new residents who may be considering this as an option.
- There is stronger demand for retirement villages, which can provide services such as sheds and communal parking spaces for boats and caravans.
- There is a general feeling that all medium density housing should be close to services, allowing households to cut back to one car, trading off space for proximity.

A more detailed investigation has been provided by Deep End Services (2018) for Pinnacle Mildura, which is the owner of the Mildura South NAC site. This found that:

- Dwelling approvals averaged around 300 per year between August 2011 and March 2017
- Only 3% of dwelling approvals in Mildura (urban area) were semi-detached, terrace, townhouses, units or apartments over the same period
- the Development Plan calls for around 255 medium density dwellings, which is likely to be more than market requirements

The analysis suggests:

On the basis of this analysis of the market context for medium and higher density housing, the Master Plan for the Mildura South NAC should be cautious in requiring a significant volume of higher density housing. (Deep End Services, 2018, p12)

2.8 Conclusions on Housing in the NAC

The PSP and Development Plan provide for two hectares of land within the NAC for medium density housing. This would allow the notional supply of around 60 dwellings.

In the recent past, the demand for medium density dwellings has been relatively small and, indeed, the recent forecast for Council suggests that there will be no medium density housing in the Mildura South growth area, despite the requirements of the Development Plan for the area. However, around 18% of the housing stock in the Mildura urban area is medium density and there are some signs that a new wave of such development is beginning, with niche small-lot housing projects at the Marina and the golf course and proposed redevelopment of existing buildings for multi-unit dwellings.

The likely market for dwellings in the PSP area is going to be similar to the households that have settled in the recently developed neighbourhoods on the north-east side of Sixteenth Avenue. While most of these people have opted for separate dwellings, 14% of households there live in medium density housing (that is, around the same as is being proposed in the PSP area). Finally, there is plenty of evidence for the success of small-lot dwellings in growth areas in other cities, including regional cities.

The value question, that is, a comparison of house costs per square metre, will be important to some buyers. However, other buyers will no doubt be interested in overall housing costs to meet their needs and will be satisfied with a smaller dwelling if it is the cheapest option, even if it is more expensive per square metre of land.

These indications suggest that, with good design and marketing, small-lot housing can be successful in the growth area over time. The popularity of smaller dwellings is likely to grow over time, especially if the quality and performance of these dwellings can be demonstrated.

From a policy viewpoint, the provision of some medium density housing in the growth area allows the area to be a more complete community in itself, catering for a wider range of household types and aspirations.

Guidance on the built form of the dwellings is provided by the Development Plan. The only addition that might be made is that, in keeping with the policy prescription to deliver a diversity of dwellings, the medium density housing should also be suitably diverse. The built form could include:

- Single storey units on small lots
- Double storey terraced town houses (not yet a favoured form of development in Mildura but which has been popular elsewhere)
- Shop-top apartments
- Retirement villages

The Masterplan for the NAC will need to identify how the housing relates to the other uses in the NAC.

The goal of having medium density housing within the Mildura South NAC remains sound. The allocation of 2 hectares of land for this purpose will allow for a range of different medium density housing types and appears reasonable as a long term provision.

3 RETAIL AND COMMERCIAL SPACE REQUIREMENTS

The primary function of the NAC will be to deliver neighbourhood level services to its local catchment. These include provision of food and groceries and other convenience goods and local services such as primary health care and personal services. Retailing generally forms the largest and most dynamic component of NAC services and the analysis here focuses on retail development, although a notional allowance is made for non-retail space requirements. The analysis looks at:

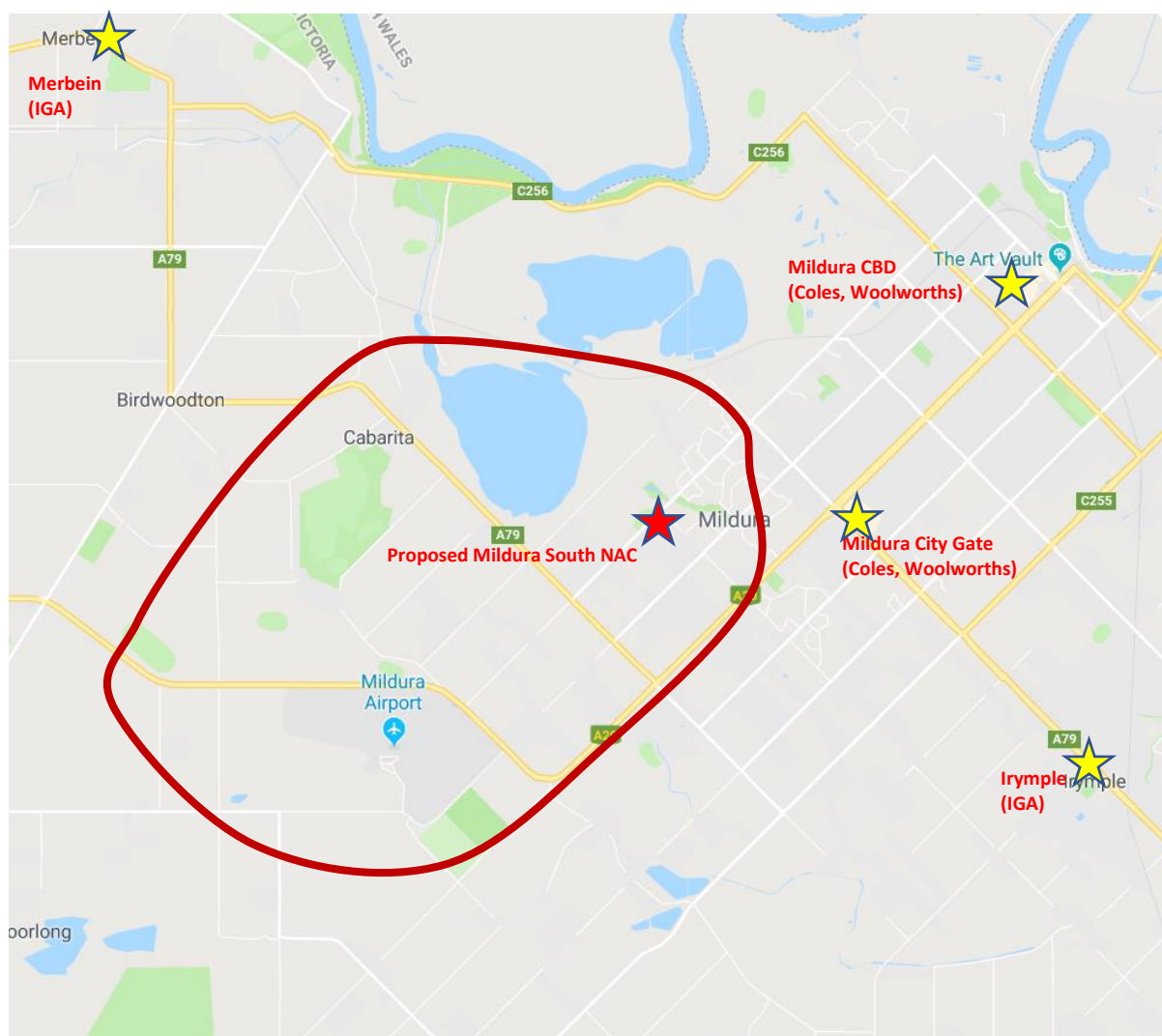
- The resident trade area of the centre
- Population trends and forecasts for the trade area
- Retail spending patterns
- The influences on future retail demand and supply
- Forecast for future retail floorspace demand

3.1 Retail Trade Area

The trade area of an activity centre is the area from which residents naturally visit the centre to obtain particular goods and services. At the boundary of the trade area, residents may choose from two or more centres that provide equivalent services. The extent of a trade area is influenced mainly by the location of competing centres and the travel patterns of residents.

In this case, the trade area has been set with reference to the location of surrounding centres that have supermarkets since this is the defining retail activity for a neighbourhood centre. The trade area is shown in the following diagram.

Figure 5: Mildura South retail trade area and surrounding supermarket centres



Source: base map from Google maps

The population of this trade area is estimated at 3,260 in 2016, based on the ABS Census of Population and Housing and adjusted for the slight undercount in the Census. At full development, the population capacity of the trade area is estimated at approximately 8,078, based on the following calculation:

- Population of the Development Plan Area (see Table 2) – 4,722
- Population in the remainder of the trade area grows at an average of 0.52%¹ per year and reaches 3,356 at full development in 2041, allowing a notional 20 year development timeframe

¹ This is the average for Mildura urban area excluding the growth area based on figures from SGS Economics and Planning (2018) and extrapolated to 2041.

3.2 Trade Area Retail Spending

The following table uses figures of retail spending per person in Mildura that have been estimated from recent work by Essential Economics for Council and adjusted to take account of the relatively high income per person in the trade area compared with Mildura as a whole (and Non Metropolitan Victoria). The spending per person has been multiplied by the population at full development to arrive at the total retail spending of residents in the trade area. This has been done for two cases:

- **No growth** assumes that retail spending per person will remain the same at full development as it is now (or at least, that any real growth in spending per person will flow through to internet retailers, most of which will not require shop floorspace)
- **1% real growth per year** takes the lead of the recent work by Essential Economics, which predicts real growth of 1% in spending per person as incomes rise. This rate of growth is assumed here to continue until notional full development at 2041

Table 5: Estimated retail spending, residents of the Mildura South trade area

| Retail activity | Retail spending per person 2017 | | Total retail spending at full development | |
|----------------------------|---------------------------------|--------------------------|---|--|
| | Regional Victoria | Mildura South Trade Area | No growth in spending per person | 1% real growth per year in spending per person |
| | \$ | \$m | \$m | \$m |
| Food, groceries and liquor | \$5,760 | \$6,221 | \$50.3 | \$63.8 |
| Non-food | \$7,090 | \$7,657 | \$61.9 | \$78.5 |
| <i>Homemaker</i> | \$2,790 | \$3,013 | \$24.3 | \$30.9 |
| <i>Other non-food</i> | \$4,300 | \$4,644 | \$37.5 | \$47.6 |
| Food catering | \$1,000 | \$1,080 | \$8.7 | \$11.1 |
| Total retail spending | \$13,850 | \$14,958 | \$120.8 | \$153.4 |

Source: Tim Nott

Total retail spending by residents of the Mildura South trade area at full development is estimated at between \$120 and \$153 million.

3.3 Retail Floorspace Supported in the Trade Area

The spending by trade area residents will flow to retailers inside the trade area and to other centres in Mildura and elsewhere. The range of total retail spending in the previous table suggests that a **neighbourhood activity centre** (NAC) should be possible at full development. A NAC, is a centre solution for a catchment with sufficient demand for a supermarket. Typically, a NAC that serves a catchment of 9,000+ people is able to support a full-line supermarket of 3,000+ square metres. A NAC with a smaller catchment (SNAC) would support a smaller, mid-sized supermarket, generally 1,000 sqm to 2,500 sqm. As well as the supermarket, NACs would have a range of specialty stores and services, and typically capture between 15%-35% of resident retail spending depending on the level of service.

Table 6 on the following page provides a calculation of the amount of retail floorspace that would be supported in a SNAC or NAC based on either no growth in retail spending per person or with growth of 1% per year in retail spending per person.

Table 6: Floorspace supported in Mildura South at full development

| | Unit | Accommodating a SNAC with no real growth in spending per person | Accommodating a NAC with no real growth in spending per person | Accommodating a NAC with real growth of 1% per year in spending per person |
|---|--------|---|--|--|
| Trade area population (a) | no. | 8,078 | 8,078 | 8,078 |
| Retail spending per person (b) | | | | |
| Food, groceries and liquor | \$ | \$6,221 | \$6,221 | \$7,899 |
| Homemaker | \$ | \$3,013 | \$3,013 | \$3,826 |
| Other non-food | \$ | \$4,644 | \$4,644 | \$5,897 |
| Food catering | \$ | \$1,080 | \$1,080 | \$1,371 |
| Total retail spending | \$ | \$14,958 | \$14,958 | \$18,993 |
| Total retail spending (c) | | | | |
| Food, groceries and liquor | \$m | \$50.3 | \$50.3 | \$63.8 |
| Homemaker | \$m | \$24.3 | \$24.3 | \$30.9 |
| Other non-food | \$m | \$37.5 | \$37.5 | \$47.6 |
| Food catering | \$m | \$8.7 | \$8.7 | \$11.1 |
| Total retail spending | \$m | \$120.8 | \$120.8 | \$153.4 |
| Share of spending at Mildura South (d) | | | | |
| | | Small NAC | NAC | NAC |
| Food, groceries and liquor | % | 35% | 55% | 55% |
| Homemaker | % | 0% | 0% | 0% |
| Other non-food | % | 8% | 15% | 15% |
| Food catering | % | 40% | 40% | 40% |
| Total retail spending | % | 20% | 30% | 30% |
| Spending at Mildura South (e) | | | | |
| Food, groceries and liquor | \$m | \$17.6 | \$27.64 | \$35.1 |
| Homemaker | \$m | \$0.0 | \$0.00 | \$0.0 |
| Other non-food | \$m | \$3.0 | \$5.63 | \$7.1 |
| Food catering | \$m | \$3.5 | \$3.49 | \$4.4 |
| Total retail spending | \$m | \$24.1 | \$36.76 | \$46.7 |
| Retail turnover per square metre (f) | | | | |
| Food, groceries and liquor | \$/sqm | \$9,500 | \$9,500 | \$9,500 |
| Homemaker | \$/sqm | \$3,800 | \$3,800 | \$3,800 |
| Other non-food | \$/sqm | \$5,500 | \$5,500 | \$5,500 |
| Food catering | \$/sqm | \$5,500 | \$5,500 | \$5,500 |
| Total spending per square metre | \$/sqm | \$7,943 | \$8,048 | \$8,048 |
| Retail floorspace (g) | | | | |
| Food, groceries and liquor | sqm | 1,851 | 2,909 | 3,694 |
| Homemaker | sqm | 0 | 0 | 0 |
| Other non-food | sqm | 546 | 1,023 | 1,299 |
| Food catering | sqm | 635 | 635 | 806 |
| Total retail floorspace | sqm | 3,032 | 4,567 | 5,799 |

Source: Tim Nott; see explanatory notes below

- a) Estimated trade area population at full development – see Section 3.1.
- b) Retail spending per person from Section 3.2, allowing for no growth in spending and growth of 1% per year.
- c) Total retail spending by trade area residents = spending per person x population.
- d) The following model has been used to allocate the share of total retail spending to the notional levels in the hierarchy of activity centres. This generic model has been developed over time and is designed to plan the allocation of retail space in growth areas. The model has been designed to deliver the characteristic retail form at each level of the hierarchy, that is:
 - Full-line supermarket at Neighbourhood level
 - Discount department store(s) at Sub-regional level
 - Department store (and/or many large non-food outlets) at Regional level

Table 7: Share of retail spending allocated to each level in the hierarchy

| Retail activity | Neighbourhood | Sub-regional | Regional and other | Total |
|----------------------------|---------------|--------------|--------------------|-------|
| Food, groceries and liquor | 55% | 33% | 12% | 100% |
| Homemaker | 0% | 55% | 45% | 100% |
| Other non-food | 15% | 42% | 43% | 100% |
| Food catering | 40% | 30% | 30% | 100% |
| Total retail spending | 30% | 40% | 30% | 100% |

Source: Tim Nott

In situations where the modelled share of spending at the Neighbourhood level is not sufficient to support a full-line supermarket, a smaller supermarket of 1,000 to 2,500 square metres could be provided. This would usually be accompanied by a smaller range of specialty stores and services than a larger supermarket. Such a centre would draw a smaller share of resident spending, as shown in the main table. The remaining share that would otherwise be captured by the NAC would flow to nearby centres, especially the larger sub-regional and regional centres.

- e) Total retail spending x share of total retail spending.
- f) Retail turnover per square metre is an estimate of the sales required to support viable retail space in each category. It is a little different from the estimates provided by Essential Economics for **current** shops in Mildura (Essential Economics, 2018) but is closer to the level of sales required to interest investors in **new** space.
- g) Retail spending at Mildura South / sales per square metre. This section shows that food, grocery and liquor spending is sufficient to support a full-line supermarket of 3,000+ square metres only if there is real growth in retail spending per person over the period. If real spending per person does not grow, Mildura South will be capable of supporting a mid-sized supermarket of 1,500 to 1,800 sqm along with some smaller food outlets and other specialty stores.

3.4 Most Likely Centre for Mildura South

It is incumbent on those planning the Mildura South growth area to deliver the largest possible centre in the area, consistent with the viability of the new centre and the network as a whole, in order to deliver the best and most accessible service to local residents. The PSP indicates that the NAC will eventually accommodate a full-line supermarket. Essential Economics reiterate that the

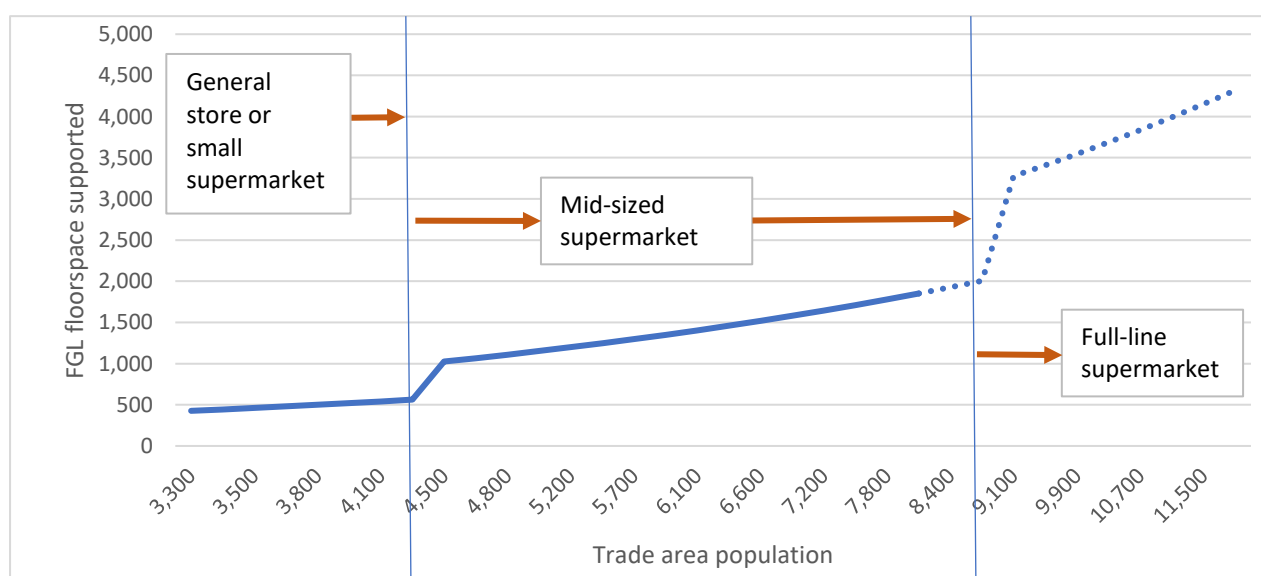
NAC will accommodate a full-line supermarket in the review of the Retail Strategy (Essential Economics, 2018).

However, the estimates above suggest that a full-line supermarket may be difficult to sustain given the expected population growth. For the foreseeable future a centre with a smaller supermarket seems more likely to be supportable. A smaller NAC is also more likely to be viable, considering the following factors:

- Because of the growing influence of internet retailing, including the potential for more online food and grocery shopping, any real growth in retail spending per person is most likely to be directed to that retail channel. There is a real potential for there to be no growth (or even a decline) in retail spending per person in bricks and mortar shops over the next 20 years.
- There is potential for the catchment area of Mildura South to be eroded at the margins. A new Aldi supermarket, for example, has been approved on the south-west edge of the Mildura City Gate sub-regional centre. In addition, the smaller centre proposed for the eastern half of the PSP area may also eat into the trade area of the proposed NAC.
- In the present market, full-line supermarkets are almost always provided by one of the two major supermarket players – Coles or Woolworths. Both Coles and Woolworths have supermarkets at the Mildura City Gate precinct. The incentive for investment by either of these players is therefore not as strong as it would be if only one operator was present. According to the owner of the NAC land, neither operator is presently considering a Mildura South location.

The following diagram shows the notional level of grocery provision at the NAC as the population in the Mildura South trade area grows. It shows that the expected population at full development falls short of the benchmark population for a full-line supermarket.

Figure 6: Notional supermarket provision at Mildura South NAC (floorspace vs trade area population)



Source: Tim Nott

Notes: The step-change in floorspace at 4,400 persons and 9,000 persons arises because new facilities become viable at these population levels and are assumed to capture a higher share of spending by residents than hitherto. The dotted line represents a trade area population beyond that which is currently forecast.

Despite this conclusion about the likelihood of a full-line supermarket being viable, a relatively small growth in the population beyond that which is currently forecast, or real growth in retail spending, could revive the prospects of a larger supermarket. In designing the centre, it may be prudent to preserve some future opportunity to expand the supermarket.

3.5 Non-Retail Centre Elements

The non-retail elements of a NAC or SNAC could include small offices (banks, travel and real estate agents, for example), repair outlets, pubs clubs and bars, medical centres and other allied health practitioners, and gyms and other indoor sports facilities. Each of these has different demand indicators and so the usual approach in planning new centres is to allow a proportion of the total floorspace to be non-retail (unless specific agreements have been entered into with particular operators). In this case, 20% of total space has been allocated to non-retail purposes. This excludes space for community facilities such as child-care, child and maternal health and libraries, which has been allowed for separately within the wider activity centre.

3.6 Area required for Mildura South NAC

The following table shows the notional area required for the Mildura South NAC.

Table 8: Notional area required for Mildura South NAC

| Component | Share of floorspace | Floorspace |
|---|---------------------|------------|
| | % | sqm |
| Retail | 80% | 3,000 |
| Non-retail commercial space | 20% | 750 |
| Total floorspace | 100% | 3,750 |
| Allowance for parking, circulation and open space | 200% | 7,500 |
| Total area required | | 11,250 |
| Preservation of future opportunities | | 8,000 |
| Prudent land requirement | | 19,250 |

Source: Tim Nott

In broad terms a prudent allowance for the Mildura South NAC would be two hectares for its retail/commercial elements. This is on the understanding that a separate allowance within the overall centre plan has been made for community facilities.

3.7 Commentary from Key Informants

The report by Deep End Services (2018) for Pinnacle Mildura provides a detailed retail demand analysis for the Mildura South centre. This analysis finds that the demand for retail floorspace at Mildura South would be only 2,000 square metres, with a supermarket of 1,200 square metres. A further 2,000 square metres of non-retail space might also be provided, including child care, gym and medical centre.

The method by which the retail space demand by Deep End Services has been calculated is useful in general. However, the retail floorspace allocation between different levels of the retail hierarchy of centres is not provided and this results in a very small allocation of space to the neighbourhood centre, particularly for food and groceries.

Other local commentators suggest that there is a need for a new supermarket centre in this general location to adequately service local residents although no opinion was expressed about the ideal size of such a centre.

3.8 Conclusions on the Retail and Commercial Elements of the Mildura South Activity Centre

The PSP and Development Plan for the area provide two hectares of land for retail and commercial activities within the activity centre. This report finds that to be a generous level of provision given the likely demand and especially given that a further two hectares has been allocated for community service activities (which might include child-care, maternal and child-health, library and so on). Nevertheless, the allocation of two hectares will preserve the potential for future growth of the centre should a full-line supermarket become viable.

Given the current population forecasts, a mid-sized supermarket with associated specialty stores is warranted. These elements should be closely integrated with the community services and open space in order to provide an attractive and multi-functional centre that will be the key hub for the developing community. Some parts of the open space may need to be positioned to allow for future growth of the centre – to allow for a full-line supermarket, for example - should the demand from residents be sufficient.

4 REFERENCES

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