

Draft Western District Plan

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Organisation name: Primewest

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First name: Adam

Last name: O'Donoghue

Suburb: 2000

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Sarah Hill
CEO, Greater Sydney Commission
Greater Sydney Commission
PO Box 257
PARAMATTA NSW 2124

Lucy Hughes Turnbull AO
Chief Commissioner
Greater Sydney Commission
PO Box 257
PARAMATTA NSW 2124

Dear Ms Hill and Ms Hughes Turnbull,

Submission in response to the *draft Greater Sydney Region Plan* and *draft District Plans*

This submission has been prepared by Primewest in response to *the draft Greater Sydney Region Plan* and the revised *draft District Plans* prepared by the Greater Sydney Commission (GSC) and placed on public exhibition on 22nd and 24th October respectively.

Within this submission we take the opportunity to reiterate the key messages and recommendations of the Large Format Retail Association (LFRA) to the Greater Sydney Commission to ensure that NSW has the most competitive and dynamic retail industry in Australia.

Primewest are a national property fund manager with a portfolio worth more than \$2.9 billion across a number of different sectors including commercial, industrial and large format retailers. Primewest continues to actively seek investment and development opportunities in large format retail centres within the Sydney metropolitan area, which in turn represents an injection of investment into the NSW economy and the creation of hundreds of direct full time equivalent positions and indirect or flow-on jobs. Primewest's large format retail portfolio is worth more than \$600 million and comprises some of Australia's most iconic brands including: Bunnings, Spotlight, The Good Guys, JB Hi-Fi, BCF, Super Amart and Freedom Furniture.

Introduction

The Large Format Retail industry in Australia is facing difficulties as a direct result of a lack of strategic planning across Australia, particularly in NSW. The Large Format Retail sector principally suffers from:

- a lack of clarity in determining whether its retailers 'fit' within the current available land use definitions; and
- a lack of sufficient appropriately zoned, sized and configured land to support significant floorspace demand

The Large Format Retail Sector within NSW currently provides over 6.6 million square metres (m²) of floorspace and approximately 142,700 full time equivalent (FTE) direct and in-direct jobs. It is also responsible for approximately 40% of retail floorspace demand¹ within the Sydney Metropolitan Area and by 2025 is forecast to require 2.74 million m² of additional Large Format Retail floorspace which is the equivalent of approximately 20 additional homemaker centres.

The Large Format Retail sector is forecast to grow, but the challenges which lead directly from the current planning and zoning legislation and its lack of proactive strategic planning policy within NSW, simply stifles and stagnates investment in this sector and limits the ability of Large Format Retailers, such as Primewest's core brands, to be able to grow and evolve their business models to provide greater consumer choice and experiential benefits. As a member of the LFRA, it has been noted in previous submission to the *draft 'District Plans'* in March 2017, that the *draft 'District Plans'* represents an opportunity to recognise the vital role that retail and specifically Large Format Retail represents within the NSW economy. However the *draft Plans* currently on public exhibition in no way takes this opportunity on board.

Since the release of the GSC's *draft 'Region Plan'* and *draft 'District Plans'* the Retail Expert Advisory Committee (REAC) report has been released. Whilst the authors of the REAC report must be congratulated for clearly acknowledging the dynamic and changing face of retail as well as the need for change and the NSW Minister for Planning must also be congratulated for embracing the REAC report and the DP&E to implement all recommendations within it, regrettably the same cannot be said for the Greater Sydney Commission. There are clearly serious disconnects between the REAC report recommendations and the GSC's *'Region Plan'* and *draft 'District Plans'*

Primewest's position in relation to the content within the *draft 'Region Plan'* and *draft 'District Plans'* is as follows:

- The GSC fails to recognise the role that the Large Format Retail sector plays as a major employer;
- The GSC fails to proactively plan for and in support future growth of the Large Format Retail sector, despite significant identified demand;
- There continues to be a lack of a definitive policy direction for retail uses and the role that retail, in its various forms, plays in the NSW economy; and
- The GSC has failed to adequately engage with the Large Format Retail sector in the preparation of the *draft Region* and *District Plans*.

The following sections of this submission provides further details to support Primewest's position.

The GSC Fails to Recognise the Role that the Large Format Retail Sector Plays as a Major Employer

The *draft 'Region Plan'* and *draft 'District Plans'* specifically place great importance on "...*jobs being an important tool for investment and business growth...*", yet they focus on job growth within the identified economic corridors, health and education precincts, strategic centres and the Western Sydney Employment Areas.

The draft plans do not recognise or acknowledge that the Large Format Retail Sector currently provides 142,700 direct and in-direct full time equivalent (FTE) jobs² within NSW. Deep End Services estimates (refer to 'Attachment A') that the Large Formal Retail sector will provide 75,300 direct and in-direct FTE positions within the Metropolitan Sydney area at 2021, which is forecast to grow to 86,200 in 2026 and 110,620 in 2036. This equates to an increase of 47,620 FTE jobs between 2015 and 2036, which is 9.5 times more jobs than is expected to be provided by the Western Sydney aerospace and defence industries precinct that will anchor the Western City.

Whilst the *draft 'Region Plan'* identifies that a total of 817,000 jobs are required within the Sydney Metropolitan Area by 2036 and focuses on providing these jobs within strategic centres and health and education precincts, Deep End Services estimates that the Large Format Retail sector will provide 47,620 direct and in-direct FTE additional jobs within the same time frame, which equates to 6% of the total Sydney Metropolitan target; this should not be overlooked. By refusing to strategically plan for the growth of the Large Format Retail sector, the GSC is reducing the ability for the Large Format Retail sector to deliver this significant number of jobs and the dismisses the associated economic benefits that this will create.

The GSC Fails to Proactively Plan for and Support the Future Growth of the Large Format Retail Sector

The 2016 Deep End Services report – '*Sydney Retail Demand and Supply Consultancy*', prepared for the DP&E in association with the GSC and included as 'background material' on the GSC website, recognises the Large Format Retail sector as a "...*retail sub-market...*". It identifies that between 1.74 and 2.2 million square metres of Large Format Retail floorspace will be required over the period 2011 to 2031 which accounts for approximately 40% of retail demand.

The Deep End Services report also acknowledges that the Large Format Retail sector has experienced a 2.3% growth per annum between 1992 and 2015, which is the second highest growth rate out of all other identified retail sub-markets. Growth between 2015 and 2031 is however expected to slow to 1.1% per annum, which is attributed in part to:

- The past trend of redeveloping industrial land in inner suburban locations for retail development is unlikely to occur to such an extent in the future; and

² LFR Market size data, prepared by Deep End Services for the LFRA, dated 8 December 2017

- Regulatory reform that in the past fuelled growth (e.g. removal of weekend trading restrictions) is unlikely to occur to such an extent in the future.

Furthermore, Deep End Services estimate the Large Format Retail floorspace supply within the Sydney Metropolitan Area in 2015 was 2.9 million square metres which represents 27% of the retail distribution. Using the same methodology in its calculations, Deep End Services has provided updated floorspace supply figures to the LFRA which estimate that by 2031, Large Format Retail floorspace supply within the Sydney Metropolitan Area will account for 4.5 million square metres; this equates to an increase in supply of 1.6 million square metres, the forecast demand requirement of between 1.7 and 2.2 million square metres outstrips the supply level.

The Large Format Retail sector is therefore forecast to have significant surplus floorspace demand at 2031 which will not be met by estimated supply levels. Notwithstanding this, it has been a common experience over the past few years that due to the current restrictive planning and zoning controls within NSW there has been and continues to be a lack of appropriately zoned, sized and configured land to support new Large Format Retail development.

This challenge to the Large Format Retail sector is acknowledged in the REAC report that “...it can be difficult for large format retailers to establish within the existing urban fabric where either land is not appropriately zoned or where zoned land comprises small lots...”

In order to respond to this issue the REAC report comments that “...strategic planning is required to ascertain the need and facilitate suitable sites for large format retail...” It further recommends that the “...District and Regional Plans must consider adequate retail supply in relation to demand created through their actions and objectives, linked to population growth, housing and job projections...” and that “...the State Government should also work with local councils to ensure there is an adequate supply of land available for retail uses provided through their planning instruments...”

Whilst the *draft 'Region Plan'* encourages (at 'Objective 22') the management and expansion of the network of existing centres and the creation of new centres, the term 'centres' clearly means town centres and local centres and not any other form of retail centre, such as bulky goods, homemaker or Large Format Retail centres. In fact, the plans do not provide any acknowledgement of existing Large Format Retail centres or clusters, nor do they mention or identify specific locations where future Large Format Retail developments would and could be suitably located.

These *draft 'Strategic Plans'* do not facilitate suitable sites for Large Format Retail nor guide local councils to do the same. In fact, the *Central City, South and East draft District Plans* seek only to protect industrial and urban services land when assessing planning proposals, rather than support the growth of other forms of development (such as Large Format Retail) if it can be established that the location is suitable and the area's primary objectives are redundant, better located elsewhere or are converting from their original intended use, as required by the REAC report recommendations ('page 30').

Within the *draft 'District Plans'*, there is recognition of the need for adaptive and flexible retail when planning centres to make way for innovation in the sector, however once again, it is implied that this is only relevant to the identified hierarchy of centres and not Large Format Retail or out of town centres.

In line with the recommendations of the REAC report, Primewest considers that in proactively planning for the growth of the retail sector and in particular the Large Format Retail sector in suitable locations within Sydney Metropolitan Area that the draft plans introduce a set of a definitive policy directions that clearly identify where new Large Format Retail developments are suitable and the criteria to demonstrate this.

The GSC Has Failed to Adequately Engage with The Large Format Retail Sector

Whilst the draft plans acknowledge that engagement with the retail sector is necessary to support the industry, Primewest considers that the GSC in preparing the *draft 'Regional and District Plans'* has not actively engaged with the Large Format Retail sector to ensure that it proactively plans to support future growth of the sector or recognises the vital role that the Large Format Retail sector plays.

The GSC has also actively ignored the identified Large Format Retail demand projections (as set out in the 2016 Deep End Services Report, commissioned to inform the preparation of the draft Plans) and the issues that were raised in the LFRA's previous submission on the *draft 'District Plans'*.

The lack of recognition within other 'background' material for the Large Format Retail sector is abundantly clear. No consideration was given in the brief for the Employment Centres Analysis report prepared by SGS Economics and the GSC has not translated the recommendations with the 'Industrial Precinct Review', prepared by Hill PDA, into Actions or Objectives within the Plans. Recommendations which provide opportunities to support the growth of the Large Format Retail sector and call for further studies to:

- Identify and specify suitable additional permissible uses (and possible amendments to standard definition) that may be added to the standard LEP templated or by Council's; and
- Prepare 'Employment Lands Planning Guidelines' to establish:
- How different employment typologies might be translated into the standard zones;
- Appropriate additional uses that could be added to enhance and diversify business opportunities without undermining the precinct's industrial character, function, output and land values; and
- The most appropriate employment zones and uses to support clusters such as creative uses or industry related finance and services without over-inflating land values and undermining surrounding centres.

Conclusion

The Primewest welcomes this opportunity to make comment on the draft '*Greater Sydney Region Plan*' and the draft '*District Plans*'. Like many industries, the retail sector has experienced enormous disruption over the last 5 years. It has been impacted by fast paced technological advancements, online shopping - be it retail platforms such as Amazon and Ali Baba or online stores either in a pure play sense or part of an omni-channel approach, evolving consumer demands, 'click and collect' services and the transitioning of many product categories from departments stores to the Large Format Retail sector.

To ensure that the Large Format Retail sector continues to grow and the physical supply of floorspace meets the current and forecast levels of demand within the Sydney Metropolitan Area, it is imperative that strategic planning that seeks to facilitate suitable sites for large format retail is undertaken.

Large Format Retailing is an important form of development, employment and service provider, and it is important that this is acknowledged by the Greater Sydney Commission in finalising the draft '*Greater Sydney Region Plan*' and the draft '*District Plans*'.

Minister Roberts has actively instructed the Department of Planning & Environment (DP&E) to implement the REAC reports recommendations. Given the GSC has a direct reporting line to the NSW Government and has prided itself on the development of the draft '*Region Plan*' and draft '*District Plans*' in collaboration with a range of state agencies, it is imperative that the GSC demonstrates consistency with the REAC reports recommendations, in finalising the draft '*Region Plan*' and '*District Plans*'.

Yours sincerely,



Adam O'Donoghue
Head of Asset Management

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