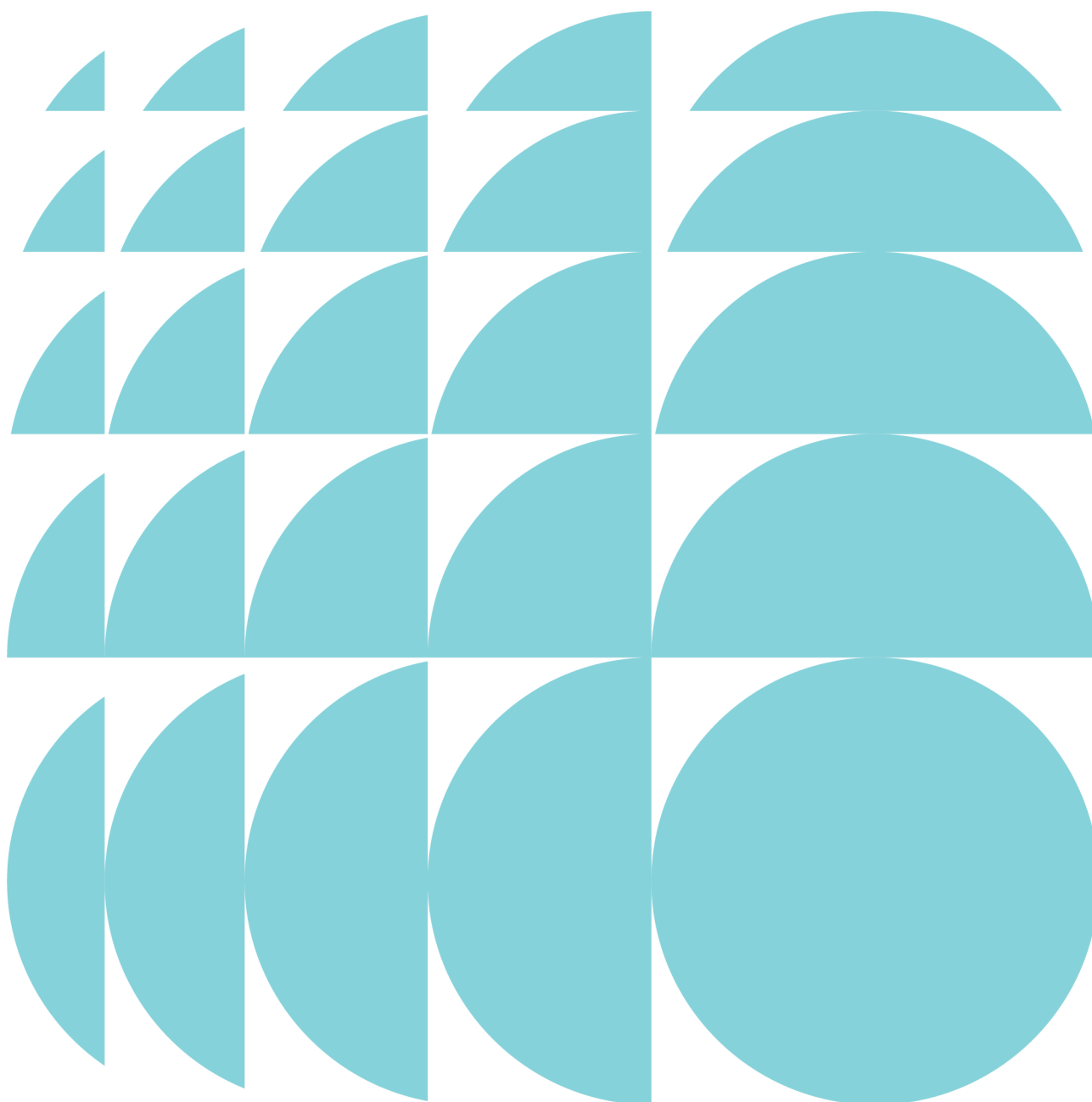


Amendment C155 – Glen Eira Planning Scheme

Expert Witness Statement

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Director, Economics, Ethos Urban
21 November 2019



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1. Introduction

Professional Details

- 1.1 My name is John Charles Henshall and I am a Director (Economics) at Ethos Urban, located at Level 8, 30 Collins Street, Melbourne. Formerly, I was Founding Partner at Essential Economics Pty Ltd, now merged with Ethos Urban as of 1 December 2018.
- 1.2 I hold the degree of Bachelor of Commerce (Economics) and the Post-Graduate Diploma of Town & Regional Planning, both from the University of Melbourne, and Master of Social Science (Planning & Environment) from RMIT University. I am a Life Fellow of the Planning Institute of Australia. A copy of my CV is at **Attachment A**.

Area of Expertise

- 1.3 My areas of expertise are in urban and regional economics, and strategic land use planning and development. I have worked in this field since 1974. An area of particular professional activity is my involvement in preparing economic impact assessments for a wide range of projects, including retail, commercial, industrial, residential and mixed-use developments; activity centre planning and development; tourism planning and development; economic impact assessments; and community facilities planning. I also have a strong involvement in undertaking demand and supply assessments for key sectors, including retail, commercial, industrial, residential and tourism. I work with both private and public sector clients, and I appear regularly as an expert witness at Planning Panels and at VCAT.

Instructions

- 1.4 I received written instructions in this matter from Planology which acts for Ritchies Stores Pty Ltd.
- 1.5 My instructions are to prepare a statement of evidence assessing the proposed Amendment C155 (**the Amendment**) to the Glen Eira Planning Scheme. The Amendment applies to the land described in the East Village Comprehensive Development Plan (**CDP**), December 2018.

In particular, my instructions are to:

- Identify the potential economic impacts (if any) that retail development permitted under the Amendment may have on the East Bentleigh Neighbourhood Activity Centre (**NAC**);
- Provide any recommendations that are needed to manage or mitigate any unnecessary or unreasonable economic impacts on the East Bentleigh NAC;
- Participate in a meeting of experts, as directed by the Panel; and
- Attendance at the Panel Hearing to present my evidence.

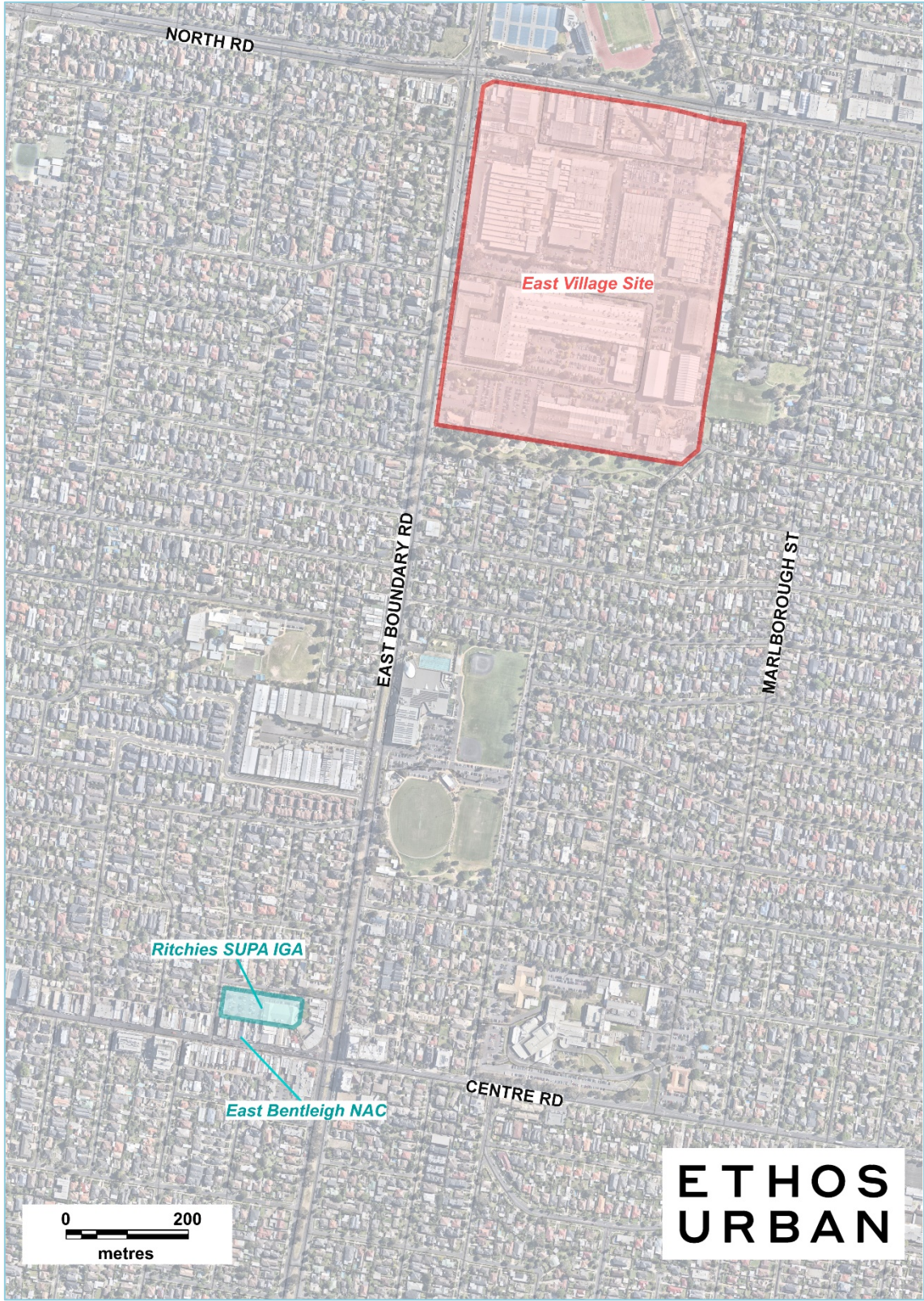
Preparation

- 1.6 I have reviewed the material associated with Amendment C155 to the Glen Eira Planning Scheme, including the following documents:
- Schedule 2 to Clause 37.02 Comprehensive Development Zone,
 - East Village Comprehensive Development Plan (December 2018),
 - East Village, Bentleigh East – Assessment of Retail Potential (MacroPlanDimasi, January 2018),
 - East Bentleigh Village Employment Assessment (JLL, October 2017), and
 - Other documents, where relevant, including Planning Panels Victoria's Guide to Expert Evidence (2019).
- 1.7 I have undertaken a field visit in November 2019 to view the location and environs of both the East Village site and the East Bentleigh NAC.
- 1.8 I have been assisted in data analysis by Rajiv Mahendran, Economist at Ethos Urban.
- 1.9 I have had regard for the following:
- The location of the East Village land in relation to the East Bentleigh NAC (as shown in Map 1 on Page 3 of this Statement);
 - The location and role of other activity centres in the wider area;
 - The existing and forecast growth in residential population and retail spending in the trade area identified for the East Village and the recommended provision of retail floorspace and type of retail as identified for the East Village in the MacroPlanDimasi report; and
 - The economic impact assessment prepared by MacroPlanDimasi, with particular reference to the East Bentleigh NAC.

This Statement

- 1.10 This Statement comprises the following sections:
- Section 2: East Village Comprehensive Development Plan
 - Section 3: Amendment C155 to the Glen Eira Planning Scheme
 - Section 4: Review of MacroPlanDimasi Retail Assessment Report 2018
 - Section 5: Conclusion.

Map 1: Locational Context – East Village Site and East Bentleigh Neighbourhood Activity Centre



Source: Ethos Urban using Mapinfo and Nearmaps

2. East Village Comprehensive Development Plan

- 2.1 The East Village Comprehensive Development Plan (CDP) covers approximately 25ha of mainly industrial/commercial land which is bounded by North Road (to the north), East Boundary Road (to the west), Virginia Park (to the south), and existing residential development (to the east). Several residential properties are also included in the CDP.
- 2.2 The CDP is described as *“a long-term plan to facilitate the redevelopment of the East Village precinct”* (p2), with the precinct designed as a *“mixed use precinct with a focus on innovative employment and education opportunities (and) will be supported by a diverse range of high quality housing and retail that caters for all”* (p3). The CDP notes that the town centre area *“will be stimulated by new residential development”* (p3). In this context, I note that the CDP anticipates that East Village will accommodate 3,000 dwellings (p22).
- 2.3 The CDP is also based on the assumption that retail floorspace would total 12,000m² and commercial floorspace would total 80,000m² (p22).
- 2.4 While the CDP does not provide comment in regard to staging of the overall development, I note that the East Bentleigh Village Employment Assessment (JLL, October 2017) provides such comment, with Stage 1 (2018 to 2021) activating the key development components of the site, *“including retail, office and educational developments”* (p25). The residential component is not introduced until Stage 2 (2021 to 2024) and Stage 3 (2024 to 2027) (refer p26).
- 2.5 Thus, under advice provided in the JLL report, the retail component comes into development in Stage 1, ahead of residential development on the site recommended for Stages 2 and 3. In these circumstances, the retail development would rely on drawing trade from surrounding existing residential areas; this outcome could potentially have an adverse impact on trading levels at existing centres. This is an aspect to which I return later in my Statement.
- 2.6 A further consideration in regard to the JLL report is that the recommended staging would, in today's terms, be delayed by approximately two years as Stage 1 in the JLL report (to start in 2018) is now likely to commence in 2021, depending on the outcome of the current planning process.
- 2.7 In regard to staging, I also note that the East Village CDP does not provide commentary in respect to the staging of the overall development. In my view, the development is of significant proportions and it would be beneficial for a number of reasons to have a staging component in place (for example, to guide infrastructure and services provision, and the like).
- 2.8 In summary, the East Village CDP provides direction for overall development of the East Village site. However, the CDP does not provide information on the staging of this significant urban development project with its mix of uses and a resident population of some 5,000 to 6,000 persons.

3. Amendment C155 to the Glen Eira Planning Scheme

- 3.1 Amendment C155 proposes to make changes to the Glen Eira Planning Scheme (**Scheme**) to facilitate the use and development of land in the area covered by the East Village CDP for commercial, retail, industrial and a mix of other uses.
- 3.2 The Amendment seeks to enable the use and development of the land to deliver new employment and housing at strategic redevelopment sites within the area defined under the Amendment.
- 3.3 The Amendment seeks to rezone the East Village precinct and include it in the Comprehensive Development Zone – Schedule 2 (**CDZ2**).
- 3.4 The Table of Uses in CDZ2 specifies that the number of dwellings in the precinct (Under Section 1, permit not required) must total no more than 3,000 dwellings.
- 3.5 The Table of Uses also specifies that Retail premises (other than Adult sex product shop and Trade supplies) listed under Section 1 (permit not required) must be located in the retail sub-precinct as shown on Plan 1 of the CPD, while Retail premises located in a mixed-use precinct as shown in Plan 1 will have a leasable floor area not exceeding 150m². In this context, I note that no size or floorspace limit is placed on the Retail use in the retail sub-precinct.
- 3.6 Overall, I note from the CDP (and CDZ2) that no limit is placed on the extent of retail floorspace permissible in the retail sub-precinct or the mixed use sub-precinct. As a result, a supermarket or a shop in the retail sub-precinct, irrespective of its floor area, can establish without a permit. Also, within the mixed use sub-precinct a permit can be granted for a supermarket or a shop, and no floorspace limit applies.
- 3.7 A further consideration in respect to the recommended zone and planning controls is that the assumptions – such as staging and the amount of retail floorspace – which underpin background documents (in this case, the JLL report and the MacroPlanDimasi report) are neither updated nor reflected in the proposed controls (the CDZ2 or the CDP).
- 3.8 The observation that neither the CDZ2 nor the CDP consider any staging for the proposed development is, in my view, a significant omission, particularly if the retail component (i.e. the ‘supply’ component for retail floorspace) is completed ahead of the residential component (i.e. the ‘demand’ component for retail floorspace). Such an outcome would likely have negative implications for retail sales in existing centres in the surrounding area, particularly the Food components which are typically the anchor traders in these centres. In this regard, I note that 5,500m² or 71% of retail floorspace in the proposed East Village retail centre (refer Table 5.1) would comprise a full-line supermarket (4,000m²) and a smaller supermarket (1,500m²).
- 3.9 I also note in the report (p38) that “...the East Village site could potentially support two full-scale supermarkets as well as a smaller supermarket. However, the development of three supermarkets at the East Village site in the medium term is likely to result in a significant impact on other surrounding supermarkets in the area”. I agree with this conclusion in the MacroPlanDimasi report. Furthermore, I do not see anything in the controls that would prevent the outcome of three supermarkets at East Village in the medium term.
- 3.10 I consider the retail assessment in the following Section.

4. Review of MacroPlanDimasi Retail Potential Assessment 2018

- 4.1 I have reviewed the report titled *East Village, Bentleigh East – Assessment of Retail Potential* prepared by MacroPlanDimasi on behalf of the Victorian Planning Authority (January 2018).

General Approach adopted in the MacroPlanDimasi Report

- 4.2 Overall, the Assessment of Retail Potential has been prepared on a conventional basis that is widely used by retail economists. This approach, outlined in the Introduction to the report, takes into account the following main components:
- The site context and proposed development of the subject site;
 - The trade area that would be served by the proposed East Village;
 - The resident population that would be served by the development, the socio-economic profile of residents, and the retail spending patterns of residents;
 - The nature and extent of the competitive environment;
 - An assessment of retail floorspace and sales considered supportable at East Village; and
 - Potential economic impacts arising from the development, including the potential for adverse trading impacts on other centres.

Comments on economic analyses in the MacroPlanDimasi Report

- 4.3 General comment: I have reviewed the overall data base in the report, including population levels and trends, socio-demographic profile, retail spending per person, and the geographic areas defined for the Primary and Secondary trade areas. Overall, I am comfortable with the general approach.

However, several areas in the analysis are of concern, namely:

- The population forecasts and timing of the retail component;
- The extent of residential development on the East Village site over five years, involving some 3,000 new dwellings over the period 2021 – 2026;
- The full development of the retail component comprising 7,700m² of retail floorspace which is assumed in the report to come into operation in 2022; and
- The potential retail trading impact on other centres, including the Supa IGA at Bentleigh East.

These concerns are outlined in the following comments.

- 4.4 Population Forecasts: In 2017 the Main Trade Area (**MTA**) had a total resident population estimated at 47,960 persons (Table 2.1), and this includes 14,070 persons (or 29%) in the Primary sector and 33,890 persons (or 71%) in the Secondary sector (rounded figures). Most of the MTA's population growth is expected to be accommodated in the Primary sector, with an additional +6,800 residents forecast by 2031 or 60% of total MTA population growth. The main driver of population growth in the MTA is the residential component of the East

Village development, which is estimated in the report to be delivered over the period 2021 - 2026, with an additional +1,320 residents per year over that period (or 6,600 persons over the 5-year period).

Comment: Given the residential component of the East Village development is now likely to be delivered later than anticipated, the population forecasts (by 5-year period in the report) which underpin the retail assessment should reflect this change in timing of development.

- 4.5 Residential development and timing: The report notes that the residential development is planned to comprise 3,000 dwellings and accommodate between 5,000 and 6,000 residents (p10). In regard to timing, the report assumes that “the East Village is completed and fully occupied by around 2026, though it is acknowledged that the development may not be fully completed by this time” (p10).

Comment: The assumption in the report that the majority of the residential development occurs over a 5-year period, 2012 - 2026 is, in my view, optimistic. I note that based on trend data derived from the MacroPlanDimasi report (Table 2.1) approximately 200 dwellings would be required on an annual basis to accommodate the natural increase in trade area resident numbers in the period 2021 - 2026 (i.e. excluding the East Village development). In addition, the report assumes that the 3,000 proposed new dwellings at East Village would be developed in the period 2021 - 2026, and this represents the development of an average of 600 new dwellings per year on the East Village site.

Taking into account these annual growth averages, the natural increase in population over the 5-year period 2021 - 2026 would require an estimated total of 1,000 new dwellings. In contrast, the report indicates that a total of 3,000 new dwellings would be required over a 5-year period and on the assumption “*that East Village is completed and fully occupied by around 2026*” (refer p10). In my view, these figures highlight the considerable level of residential development planned for the East Village site over a relatively short time period of five years. If the new residential development at East Village is actually constructed over a longer period of time (i.e. beyond 2026), implications will arise in respect to the size of the trade area population that the proposed new retail centre would serve (and which is assumed in the report to be operational in 2022) and, therefore, implications would arise for potential adverse economic impacts on existing centres in the surrounding area.

I also note that the number of dwelling unit sales in East Bentleigh and neighbouring suburbs has declined markedly in recent years. For example, in the Year to September 2019, 119 unit sales were recorded in East Bentleigh and this contrasts with a high of 233 unit sales in the Year to September 2015 (source: Pricerfinder 2019). Similar trends are noted for the neighbouring suburbs of Bentleigh (133 sales in 2019, down from 325 sales in 2015); Caulfield South (54 sales, down from 117); and Carnegie (197 sales, down from 373). In total, these four suburbs experienced a significant decline in unit sales from 1,048 sales in 2015 to just 503 sales in 2019, or a decline in sales of 503 units (or 48%) over the period.

In relation to declining unit sales, I also note that over the 12 months to May 2019 unit sales in Melbourne declined by 41.9%, “*reflecting much slower pre-sales for new apartment projects*” (Jones Lang LaSalle, *Melbourne Residential*, 2019). Jones Lang La Salle also note that “*Lending data from June 2019 (ABS) shows that the value of lending commitments has fallen year-on-year for all buyer types, reflecting continued tight lending assessment criteria by major banks*”. The data indicate that investor lending declined 24.2% year-on-year to June 2019, while lending to established owner-occupiers fell 15.5% and to first home buyers fell 4.0%. In regard to outlook, Jones Lang La Salle conclude that “*a number of projects across suburban Melbourne are at risk of not proceeding*”.

- 4.6 Retail development and timing: The report indicates a total retail floorspace provision of 7,700m² and retail sales of approximately \$63 million in Year 1, with the retail components in operation in 2022 (refer Table 5.1).

Comment: As the retail components are assumed in the report to be in operation in 2022, my concern is that the planned size of the retail development would exceed the additional retail floorspace demand generated by trade area residents at that time. This is considering that the full development of the East Village residential component is planned for the period 2021 to 2026, and even this time period for full residential development and occupation by new residents is optimistic in my view. In this context, I note an important issue in that the planning controls do not limit the area of retail floor space in the retail and mixed-use sub-precincts.

- 4.7 Potential retail trading impacts on other centres: Estimates in the report indicate that total retail sales at East Village in 2022 will be in the order of \$63 million (rounded figure expressed in constant 2016/17 prices). Of this total amount, \$54.4 million in sales (86.5% of total) are expected to be drawn from existing centres, with the balance of \$8.5 million (13.5%) in sales captured from other centres (not identified) in the broader region.

The centre which is forecast to experience the greatest impact on sales is **East Bentleigh**. In 2022 East Bentleigh is forecast to have total sales of \$70.5 million which represents a loss of \$8.4 million or -10.7% on sales that would likely have been achieved if the East Village development did not proceed (i.e. sales of \$78.9 million in 2022 if no development takes place), as shown in Table 5.2 of the MacroPlanDimasi report. The significant majority of the lost sales (\$7.2 million or 86%) in East Bentleigh are in Food and this level of lost Food sales represents 12.1% of Food sales if the development did not proceed (refer Table 5.2).

Comment: The underlying assumptions to these forecasts of retail sales – including the volumes of lost sales if the East Village retail development proceeds – in Food and Non-food by retail centre is not indicated in the report and in my view this is a shortcoming of the overall impact assessment.

In respect to East Bentleigh I also note that the -12.1% in loss Food sales in 2022 compared with what would have been expected in Food sales (without the development – refer Table 5.2) is close to the 15% to 20% impact noted in the report where *“the viability of the centre may be at risk”* (p48). The significance of the negative impact on Food sales is that these sales are principally associated with the East Bentleigh centre’s Supa IGA which is the anchor trader in the centre. The smaller retail traders and other businesses largely depend on the trading strength of the anchor tenant in attracting and retaining shoppers in the centre from the centre’s surrounding trade area.

A related concern is that the timing highlighted in the report indicates that the retail components in the East Village development are to be in operation in 2022. However, the timing for the residential development proposed at East Village – involving 3,000 new dwellings and a total of 5,000 to 6,000 residents – is not definite in terms of staging and final completion. This lack of a clear definition of staging for the overall East Village development is a matter for concern. Importantly, if the retail component proceeds as planned (for 2022 or thereabouts), the new retail components will have to depend more heavily on drawing customers from existing centres, as the planned (total) new resident population of 5,000 to 6,000 persons in East Village will not be in place.

Furthermore, I note for the East Village site that the residential component is capped at 3,000 dwellings, while no cap applies to the retail floorspace component (refer Schedule 2 to Clause 37.02 Comprehensive Development Zone, Table of Uses). As a result, the

development cannot deliver more than 3,000 dwellings, yet in excess of the planned 7,700m² of retail floorspace (as identified in the MacroPlanDimasi report) could ultimately be provided on the site. Such an outcome in regard to the potential increase in the retail component would likely have adverse implications for existing centres in the surrounding area (assuming other variables remain constant).

4.8 In summary, the retail analysis in the MacroPlanDimasi report falls short in two important areas:

- The timing of new retail development at East Village, with the centre assumed to be operational in 2022, well before the substantial development of 3,000 new dwellings planned for the site is completed; and
- The lack of detail in regard to the manner in which the retail impact analysis for other centres has been undertaken and presented in the report.

The importance of addressing these aspects is highlighted by the reality that, in terms of location, the East Bentleigh NAC is the nearest centre to the proposed East Village development, with a distance of only 970m separating the NAC from the East Village site along East Boundary Road. Possible adverse retail trading impacts on the East Bentleigh NAC are therefore amplified, particularly in respect to the Food component which is the centre's key driver of visitation and sales.

A further consideration in terms of the residential component is the decline in sales recorded over recent years in the unit market, and this is identified by industry observers as a reflection of the banking sector's tight lending policies. For the East Village site, these trends hold implications for the take-up of the 3,000 planned residential units and, therefore, the impact on retail trading for the East Village retail component.

4.9 Overall, concern exists around:

- Timing of development at the East Village site for both the residential and the retail components (and particularly in view of sluggish dwelling unit sales);
- Lack of clarity in respect to the methodology adopted in assessing potential retail impacts on the Food and Non-Food sectors in other centres in the surrounding area;
- Lack of clarity for key stakeholders in nearby centres, most importantly East Bentleigh, in regard to the nature, scale and timing of development at the East Village site;
- Undermining of decision-making for Ritchies Stores Pty Ltd in relation to future plans and opportunities for the existing store in East Bentleigh; and
- Potential for an outcome that generates "*all of the impact, none of the benefit*" for impacted centres that would result from early delivery of retail components at East Village ahead of residential growth.

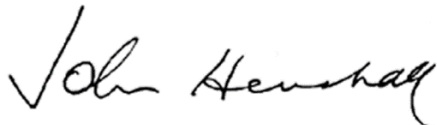
5. Conclusions

The main conclusions from my assessment of the proposed East Village urban development project are as follows:

- 1 The East Village CDP provides direction for the overall development of the East Village site; however, the CDP does not provide information on the staging of this significant urban development project, with its mix of uses and a resident population of some 5,000 to 6,000 persons.
- 2 Neither the CDZ2 nor the CDP consider any staging for the proposed development and this is a significant omission, particularly if the retail component (i.e. the 'supply' component for retail floorspace) is completed ahead of the residential component (i.e. the 'demand' component for retail floorspace). Such an outcome would likely have negative implications for retail sales in existing centres in the surrounding area as the new centre would have to rely on attracting customers from these existing centres. This is a particularly important consideration for the Food components in these other centres as they are typically the anchor traders in centres. In this regard, I note that a significant 5,500m² or 71% of retail floorspace in the proposed East Village retail centre would comprise a full-line supermarket (4,000m²) and a smaller supermarket (1,500m²).
- 3 The retail analysis in the MacroPlanDimasi report falls short in two important areas:
 - In the report it is assumed that the new retail development at East Village will be operational in 2022, well before the substantial development of 3,000 new dwellings planned for the site is completed; and
 - The lack of detail in the report in regard to the manner in which the retail impact analysis for other centres has been undertaken and presented in the report.
- 4 The importance in addressing these aspects is highlighted by the reality that, in terms of location, the East Bentleigh NAC is the nearest centre to the proposed East Village development, with a distance of only 1.3km separating the NAC from the East Village site along East Boundary Road. Possible adverse retail trading impacts on the East Bentleigh NAC are therefore amplified, particularly in respect to the Food component which is the centre's anchor trader.
- 5 My recommendation to the Panel is that the CPD and the CDZ2 should include a reference to the staging/timing of development of the East Village components, including residential and retail, and also specify the area of retail floorspace that is permitted in the development.

Declaration

I have made all the inquiries that I believe are desirable and appropriate and no matters of significance that I regard as relevant have to my knowledge been withheld.



John C Henshall
Director, Economics
Ethos Urban
21 November 2019

Attachment A: John C Henshall CV

John Henshall

Director, Economics — B Com (Econ), Grad
Dip TRP, M Soc Sci (PLG & Environ)



John has qualifications in Economics and Town and Regional Planning from the University of Melbourne, and a Master of Social Science from RMIT University. He is a Life Fellow of the Planning Institute of Australia and a Fellow of the Victorian Planning and Environmental Law Association.

John has worked as an economist/planner with organisations in industry, government and consulting. His experience covers projects in urban and regional economic development and land use planning; industry sector analysis; retail, commercial and industrial location and development; residential supply and demand; tourism strategies and projects; and appearing as expert witness at planning tribunals and panels.

John also has considerable experience in economic and development planning projects in Asia, including housing, sites and services, urban and village improvements, poverty alleviation programs, and project review and evaluation. His overseas work has involved projects funded by AusAID, the World Bank, UNCHS/UNDP and the Asian Development Bank, as well as projects for municipal and regional development authorities and private sector clients.

John has worked abroad in Indonesia, Malaysia, Vietnam, China, The Philippines, Pakistan and Bangladesh, and in the UK, the USA and NZ.

- *Fishermans Bend Strategic Planning Retail Assessment*. Client: Fishermans Bend Task Force
- *Leongatha Town Revitalisation Project – Economic Impact Assessment*. Client: South Gippsland Shire
- *Country Music Performing Arts Centre, Boyup Brook, WA, with Scenic Spectrums*. Client: Boyup Brook Country Music Club
- *The Falls Music Festivals, Lorne and Marion Bay, Economic Impact Assessment*. Client: Ashlorien Enterprises
- *Proposed Traralgon Bypass – Potential Impacts on Local Businesses*. Client: VicRoads
- *Downtown Clarksdale - Action Plan for Revitalisation*. Client: City of Clarksdale and Coahoma County, Mississippi, USA
- *Grampians Peaks Trail Master Plan, with Site Office*. Client: Parks Victoria
- *South Gippsland Water Facilities Strategy – Economic Assessment*. Client: South Gippsland Water
- *Hume Rural Areas Economic Assessment (HIGAP)*. Client: Hume City Council
- *Residential Land Assessments*. Clients: various private and local government clients
- *Economics for Planners - PLANET Course preparation and presentation*. Client: PLANET/DELWP/PIA (annual, since 2008)
- *Trip Adviser - La Trobe University Study Tour to the Mississippi Delta and Memphis*. Client: La Trobe University and Australians Studying Abroad (June 2016, 2018 and 2020).