

The Chair
State Planning Commission

By email: DPTI.PlanningReformSubmissions@sa.gov.au

Attention: Mr Michael Lennon

Dear Mr Lennon,

Re: Submission on behalf of Aventus Group in relation to the Phase 3 (Urban Areas) Planning and Design Code Amendment.

EXECUTIVE SUMMARY

Aventus seeks resolution to the following matters:

- Amendment to the 'Suburban Employment Zone' as follows:
 - a. 'Table 4 – Restricted Development Classification' be amended for a 'shop' to identify an exclusion of 'where the gross leasable floor area is no more than 2,000m²'.
 - b. Relevant Performance Outcomes (PO) and DTS/DPF criteria be amended to provide flexibility for a 'shop' up to 2,000m².
- To be further consulted on the next iteration of the Code ('Version 2') to effectively understand and test the application of the new Code, particularly as it relates to Public Notification requirements for the Suburban Employment Zone.
- Land use activities which are 'envisaged' or 'contemplated' within the Suburban Employment Zone should not require public notification.
- Aventus do not support specific classes of development being excluded from public notification, rather than excluding all development and listing exceptions.
- The frequency/opportunity for Agency Referral to the Commissioner of Highways be reviewed and the ability for the Commissioner of Highways to apply the 'power' of 'Direction' should only apply where it currently applies (i.e. no change) under the *Development Regulations, 2008*, to ensure a streamlined and balanced development assessment outcome.



- Car parking rates be reviewed, particularly for ‘bulky goods outlets’ and ‘shops’, and these should be updated and reduced to reflect contemporary assessment rates.
- The language utilised within *Table 1 – General Off Street Car Parking Requirements* within the ‘Transport, Access and Parking’ General Development Policy, should be reviewed and clarified to remove potential ambiguity.

1.0 INTRODUCTION AND OVERVIEW

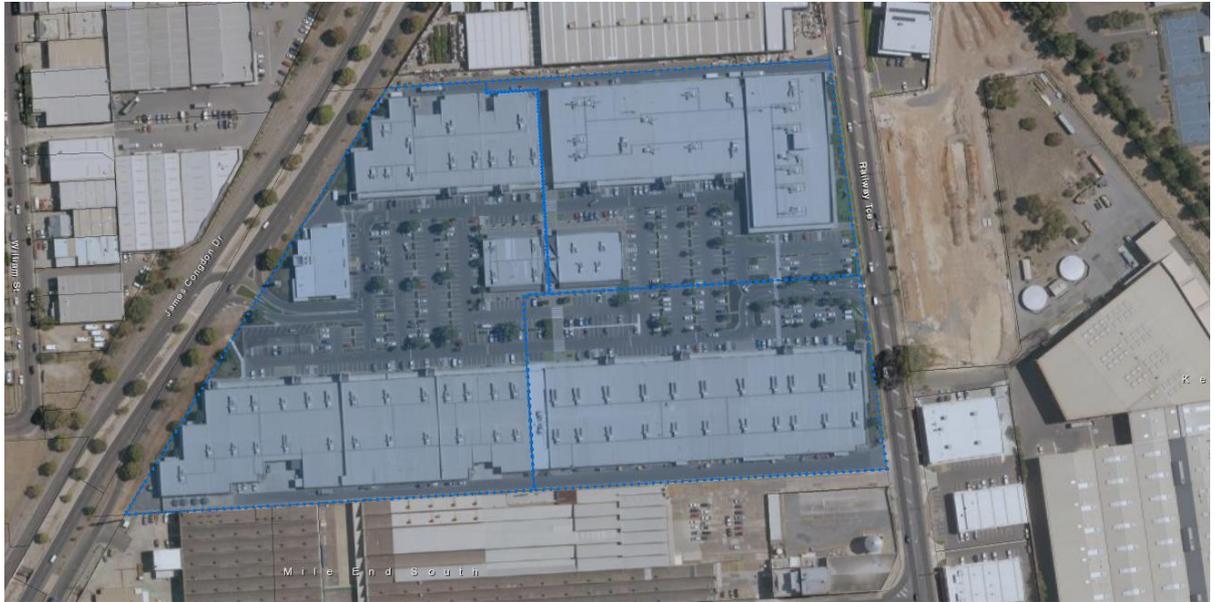
We write in relation to ‘*Phase Three (Urban Areas) Planning and Design Code*’ (“the Code”) scheduled to become operational in September 2020.

The Aventus Group (‘Aventus’) owns, manages and develops large format retail centres across Australia, with a portfolio of 20 centres valued at over \$2 billion. The Aventus portfolio spans 536,000m² in gross leasable area and features a diverse tenant base of 593 quality tenancies, with national retailers representing 87% of the total portfolio.

Aventus owns and manages the Mile End Homemaker Centre which is illustrated in **Figure 1.1** below. The Homemaker Centre is located at 121-150 Railway Terrace, Mile End, approximately 3.2km west of the Adelaide CBD. The facility comprises 33,440m² of floorspace, including 32,842m² of large format retailing (‘bulky goods’) with no vacancies. The centre is the 4th largest homemaker centre in South Australia and the 25th nationally.

Figure 1.1 Mile End Homemaker Centre (Source: SAPPA)





Accordingly, Aventus have a direct and ongoing interest in this facility which will be affected by the introduction of the Code.

To inform this submission, Aventus have undertaken extensive research of the draft version of the Code, particularly the Zone and policy framework proposed to apply to the Mile End site. This analysis has also included a comparison of the Code framework relative to existing planning ordinance.

As way of high level summary - Aventus seeks amendments to the Code, in particular to allow for non-bulky goods retail within the Mile End Homemaker site. To that end, our analysis is supported by the expert opinion of Deep End Services (a highly respected economic research and property consultancy), who have provided a detailed economic rationale to support our submission.

The Deep End Services ('Deep End') analysis is attached as **Appendix 1** and summarised in Section 2.0 below.



2.0 HOMEMAKER CENTRE LAND USE TRENDS

In the attached report, Deep End explain that the composition of homemaker centres in Australia is evolving, with non-bulky goods retail (and non-retail) tenants increasingly comprising larger proportions of floor space in these centres. These complimentary uses have been an important progression and economic necessity for such centres.

The traditional model of a single use homemaker centre (i.e. solely bulky goods) is out-dated. The experience of many large format retailers within such centres has been typified by infrequent customer visitation (e.g. a customer may attend every 5-7 years to purchase a large household item such as bedding or furniture) with the majority of customer attendance occurring at weekends. This, in turn, has contributed to reduced economic viability and lower staff requirements during weekday periods.

In addition, the retail demands of the customer has evolved. The contemporary customer not only expects a high level of amenity and ease of access to centres, but also a wide range of complementary retail offerings to improve their overall shopping experience, including product choice and convenience.

As outlined by Deep End, these trends have contributed to a broader mix of tenants establishing within homemaker centres, delivering a more diverse retail offering. This has strengthened the role of such centres and encouraged more frequent customer visitation, increased customer convenience and supported additional local employment opportunities (across seven (7) days).

Specifically, Deep End note the following recent trends:

- In 2014/2015, non-bulky goods retail tenants accounted for 7.6% of occupied floorspace in Australian homemaker centres. In 2019/20, this increased to a share of 9.0%;
- Over the same timeframe, the share of occupied floorspace accounted for by non-bulky goods retail tenants in South Australian homemaker centres increased from 7.6% to 9.7%;
- However, more than half of this floorspace is located within just three (3) homemaker centres (Gawler Park; Munno Para; and Parafield Airport). Deep End note that all three (3) centres operate within zones where 'shop' use is encouraged; and
- Excluding these three (3) centres, the share of occupied floorspace accounted for by non-bulky goods retail tenants within South Australian



homemaker centres was 6.6% in 2019/20 – which is significantly below the national indicator of 9.0%.

Accordingly, the relatively low composition of non-bulky goods retail tenants within South Australian homemaker centres is out of step with the majority of Australia. We are of the view this is not an optimum outcome and represents a ‘lost opportunity’ to provide complementary retail offerings within such ‘non-traditional’ centres which is responsive to consumer and industry needs, offering a range of economic benefits including stimulation of competition and increased product choice.

To evidence the benefits of retail policy reform, and its importance to homemaker centres, the attached Deep End analysis considers recent changes to the Victorian Planning system.

In 2013, a series of amendments were implemented in Victoria, intended to ‘*stimulate business and economic growth while protecting valued neighbourhoods*’. In short, the reforms sought to simplify, encourage and broaden business opportunities – an approach which shares synergies with the overarching intent of the South Australian planning reform.

Since 2014, and as a consequence of the reforms, the number of non-bulky goods retailers operating stores with a floor plate in the range of 1,000m² – 2,000m² within Victorian homemaker centres has increased from 12 to 34 stores. Specifically, the proportion of occupied floor space taken by non-bulky goods retail tenants in Victorian homemaker centres has increased from 4.6% in 2014/15 to 8.7% in 2019/20. The ‘new’ stores are operated by supermarket chains and other non-bulky goods retailers.

In addition, the reforms have also stimulated the opening of similar sized retail stores in non-homemaker centre locations.

The Deep End analysis considers the positive effects of these planning reforms, and they conclude:

Despite initial concerns when the reforms were announced – and particularly from shopping centre owners – it is evident that centre hierarchies have not been disrupted in Victoria while the state’s retail sales performance has been the strongest, by some margin, in Australia during the past five (5) years.

In stark contrast, the Mile End Homemaker Centre contains three (3) non-bulky goods retail tenants. These tenancies occupy a combined floorspace of 380m², and represent just 1.8% of the centre’s floor space. Accordingly, the composition of non-bulky goods retail at Mile End is significantly below the State average of 9.7% (or

6.6% excluding Gawler Park, Munno Para and Parafield Airport). To put it in perspective and to replicate/achieve the (lower) State average of 6.6%, the Mile End facility requires an additional 1,827m² of non-retail floor space.

Deep End identify that there are a number of non-bulky goods retail tenants in the 1,000m² to 2,000m² size range which would regard Mile End as an ideal location to trade, and as a result, would assist in recalibrating the centre's floor space provision to be more aligned with State and National averages. These operators include:

- Supermarkets:
 - For example, ALDI, Drakes, the Chapley Group, Foodland, IGA and Foodworks who have limited opportunity in many of the inner and middle suburban areas of Adelaide which are dominated by very small (<1,000m²) or large supermarkets (>3,000m²).
 - The establishment of a mid-sized supermarket at Mile End would deliver increased choice for consumers; stimulate competition (which in turn lowers prices); deliver increased economic benefits including increased retail spending; assist to address the existing low level of supermarket floorspace provision within the Mile End catchment area; create stable employment opportunities; and provide for flow on benefits to nearby retailers.
- Other retailers:
 - Mid-size retailers such as pharmacies, discount variety stores or liquor outlets. For example - Chemist Warehouse, The Reject Shop, TK Maxx, Totally Workwear and large format liquor stores such as Dan Murphy's or First Choice Liquor.
 - Such retailers are attracted to homemaker centres (as opposed to 'traditional' shopping centres) for both strategic and economic reasons including; the ability to deliver a 'warehouse' style retail product with larger spatial footprints and taller ceiling heights for racking; convenient and accessible customer parking for ease of the customer transporting bulkier items from the retail premises to their vehicle; and roller doors at the rear of their tenancies for efficient loading and unloading arrangements (e.g. large 'back of house' areas).

Importantly, Deep End identify that either a mid-sized 'supermarket' or 'other' non-bulky goods retailer could be established at Mile End without harming the existing retail or 'centres' hierarchy within the wider Mile End catchment.

3.0 CURRENT ZONE AND POLICY FRAMEWORK

The Homemaker Centre is currently located within the **Bulky Goods Zone** of the West Torrens Council Development Plan (consolidated 12 July 2018). The site is not located within a specific Policy Area or Precinct.

Objective 1 of the Bulky Goods Zone provides:

OBJ 1 A zone accommodating a range of buildings used for bulky goods outlets and service trade premises

The following forms of development are envisaged within the zone (PDC 1):

- *Bulky Goods Outlet*
- *Service Trade Premises that comprise only indoor displays or are primarily for the sale, rental or display of building materials, landscaping materials, sheds, domestic garages or outbuildings.*

A 'shop or group of shops' is identified as a form of 'non-complying' development within the zone, except where it achieves one of the following:

- (a) The shop is a bulky goods outlet with a gross leasable area (GLA) of 500sqm or more*
- (b) The shop is a restaurant (including café) and:*
 - a. Measures 150sqm or less in GLA*
 - b. Is part of a bulky goods tenancy which measures 2000sqm or more in GLA*
 - c. The aggregate total GLA of such premises within the zone does not exceed 600sqm*
- (c) The shop is primarily used for the sale of foodstuffs, and/or is a restaurant and/or café and:*
 - a. Measures 150sqm or less in GLA*
 - b. The aggregate total gross leasable area of such premises within the zone does not exceed 600sqm*

The 'effect' of the existing Zone framework, and its emphasis on the development of 'bulky goods', as well as the onerous 'non-complying' thresholds for a 'shop', have restricted retail development within the zone to bulky goods outlets and small scale cafes and restaurants. In short, the policy strongly discourages non-bulky goods retail development.

4.0 PROPOSED CODE FRAMEWORK

Under the Code, the Homemaker Centre is proposed to be located within the **Suburban Employment Zone**. There is no proposed sub-zone.

The Desired Outcome (DO) of the Zone is to support a “*diverse range of low impact light industrial, commercial and business activities that complement the role of other zones accommodating significant industrial, shopping and business activities*”.

DTS/DPF 1.1 identifies that both a ‘bulky goods outlet’ and ‘shop’ are ‘permissible’ land uses within the Zone.

Performance Outcome (PO) 1.2 states:

Shops, other than bulky goods outlets, provide a local convenience service to meet the day to day needs of the local community and surrounding businesses as well as support the sale of products made on-site as a supplement to a business activity to enhance local job opportunities.

DTS/DPF 1.2 identifies:

Shop:

- a) *With a gross leasable floor area up to 500m²;*
- b) *In the form of a bulky goods outlet; or*
- c) *Ancillary to and located on the same allotment as light industry*

Table 4 – Restricted Development Classification identifies that a ‘shop’ is a form of ‘Restricted’ Development except where:

- *The gross leasable floor area is no more than 1,000m²;*
- *It is a bulky goods outlet; or*
- *It is ancillary to a light industry on the same allotment*

The site is also captured within the following Overlays:

- Airport Building Heights (Regulated) – All structures over 15 metres
- Building Near Airfield Overlay
- Major Urban Transport Route Overlay
- Traffic Generating Development Overlay
- Prescribed Wells Area Overlay
- Regulated Tree Overlay



- Hazards (Flooding) Overlay – affecting portions of the site

The *Planning and Design Code Consultation Map Viewer* identifies there are no proposed Technical and Numeric Variations.

Having reviewed the planning ordinance proposed to apply under the Code we wish to raise the following matters:

4.1 Land Use – Scale and Intensity

In contrast to the narrow land use focus of the existing Bulky Goods Zone, Aventus welcomes the more flexible position adopted by the ‘Suburban Employment Zone’, particularly with regards to accommodating a range of retail development opportunities, including ‘non-bulky goods’.

However, we are concerned that DTS/DPF 1.2 specifies a ‘floor space’ cap of 500m², while the ‘Restricted’ Development ‘trigger’ is set at 1,000m².

In our view, these ‘thresholds’ do not adequately respond to contemporary economic retail trends as discussed above (and outlined within the attached Deep End analysis), which identifies the need and benefits for supporting the establishment of mid-sized retailers (1,000m² to 2,000m²) within homemaker centre facilities.

In our view, amendments are therefore required to the Suburban Employment Zone to:

1. Ensure mid-sized retailers (1,000-2,000m²) are subject to the ‘Performance Assessment’ Pathway (rather than being a form of ‘Restricted’ Development) – to ensure the assessment process is less onerous and protracted; and
2. Provide more flexible assessment provisions (i.e. Performance Outcomes and DTS/DPF criteria) which support (or at the very least, do not preclude) the development of mid-sized retailers and provide clear and unambiguous guidance regarding the appropriate scale and intensity of land use within the zone.

Deep End are highly supportive of this amendment and draw the following important conclusions:

The proposed new Suburban Employment Zone, if combined with an increase in the restricted Development floor space from 1,000m² to 2,000m², would reflect a planning system that is responding to industry and consumer needs for a greater variety of uses. This particularly is the case for

homemaker centres which are often located in areas with the proposed zoning.

As a result, South Australian homemaker centres would be capable of offering a wider range of non-bulky goods retail tenants, bringing the State in line with other states in Australia (and particularly Victoria).

At Mile End Home, the addition of a mid-range supermarket would help to address local undersupply and offer additional choice for local workers and residents. Other mid-size retailers such as pharmacies, discount variety stores or liquor outlets would provide a similar level of increased amenity.

Importantly, the addition of such tenants would, in no way, threaten the continued successful operation of the local retail hierarchy.

It is important to note that Aventus are not advocating for 'large scale' non-bulky goods retail within the zone (for example, large scale supermarkets with floor plates in the order of 3,000-6,000m²). Aventus recognise such retail could impact the retail hierarchy. Instead, we seek a moderate increase to the floor space 'threshold' to support the establishment of small-mid size retailers who can deliver complementary retail within the zone.

Requested Amendment to the Planning and Design Code

Aventus seeks amendment to the 'Suburban Employment Zone' as follows:

- 'Table 4 – Restricted Development Classification' be amended for a 'shop' to identify an exclusion of 'where the gross leasable floor area is no more than 2,000m²'.
- Relevant Performance Outcomes (PO) and DTS/DPF criteria be amended to provide flexibility for a 'shop' up to 2,000m².

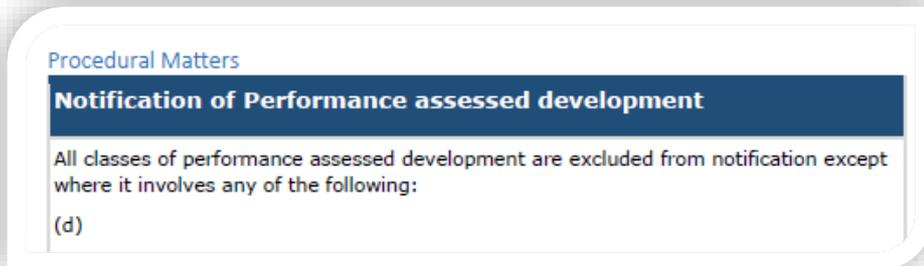
NB: We have identified the relevant provisions which require amendment and/or further consideration within Appendix 2.

4.2 Public Notification

As illustrated in **Figure 4.1** below, we note the draft version of the Code does not identify any notification requirements for the Suburban Employment Zone.

Figure 4.1 – Excerpt – Procedural Matters – Suburban Employment Zone





We have assumed this is a typographical error or omission and will be updated in subsequent versions of the Code.

Accordingly, we have been unable to consider or comment on this element of the Zone, and its possible impact for future development proposals at the site.

We trust that once amended, the Code will rectify the anomaly which exists within the existing planning framework, whereby a 'bulky goods outlet' (an envisaged use within the Bulky Goods Zone), is not specifically identified for public notification purposes within the Development Plan or *Development Regulations, 2008* and therefore defaults to 'Category 3' (i.e. notification required).

Notwithstanding, having reviewed 'other' proposed zones within the Code, we note:

- It is likely that more types of development will be publicly notified due to onerous and extensive notification criteria listed within many of the proposed zones;
- In many instances, notification is required where the site of the development is adjacent a different zone, even if the adjacent zone is not for residential (sensitive) purposes; and
- There are numerous instances where land uses which are 'envisaged' or 'contemplated' by a Zone, require public notification.

Based on a recent workshop of the Department with the UDIA held on 19 February 2020, we also understand that the State Planning Commission ('SPC') is considering an arrangement where "specific classes of development will be excluded from notification rather than excluding all development and listing exemptions". We do not support this approach as we believe this will result in unintended consequences of an even larger number of applications requiring public notification (i.e. all forms of development not specifically and implicitly excluded from notification).



To address this concern, we request:

- **To be further consulted on the next iteration of the Code ('Version 2') to effectively understand and test the application of the new Code, particularly as it relates to Public Notification requirements for the Suburban Employment Zone.**
- **Land use activities which are 'envisaged' or 'contemplated' within the Suburban Employment Zone should not require public notification.**

Further, we do not support specific classes of development being excluded from public notification, rather than excluding all development and listing exceptions.

4.3 State Agency Referrals

In comparison to the existing policy framework, we note that under the Code, there is an increased number of possible State Agency Referral 'Triggers' to the Commissioner of Highways (via the Department of Planning, Transport and Infrastructure (DPTI) identified within the Overlays). These include:

- **Traffic Generating Development Overlay:**
 - Retail development with a gross floor area of 2,000m² or more
- **Major Urban Transport Routes Overlay:**
 - Development that creates a new access or junction; or proposes alterations to an existing access or public road junction; or changes the nature of vehicular movements or increase the number or frequency of movements through an existing access – on a Major Urban Traffic Route road or within 25m on an intersection with such a road.

In addition, we also note the Code provides for an increased 'power' for the Commissioner of Highways, as outlined within Schedule 9 of the *PDI (General) Regulations 2017*, whereby the Agency now has power of 'Direction' (previously 'Regard' in many instances).

We are concerned that the increased number of referral pathways, coupled with increased 'power' of 'Direction', will result in longer and protracted assessment periods, more onerous Agency requirements, as well as reduced certainty and confidence for the development industry.



While we do not seek to dilute the role of State Agencies as part of the assessment process, Agencies should be consulted (where directly relevant) and provide their expert assessment as 'Advice', for consideration and inclusion by the Relevant Authority. The Relevant Authority can then make a 'balanced' decision taking into consideration all factors of the application, including the advice of the relevant Referral Agency. The 'power' of 'Direction' raises the profile and emphasises single issues above all other planning considerations resulting in a partisan, rather than objective determination.

The rationale that Referral Agencies will be more accountable when applying the 'power' of 'Direction' (particularly with respect to defending decisions in the ER&D Court) is also unsubstantiated noting that a Relevant Authority comprising professional, experienced and accredited professionals will be making a determination based upon all information available in support of the application, and should remain accountable for their decision, irrespective of the advice provided by a Referral Agency.

Accordingly, we request that the frequency/opportunity for Agency Referral to the Commissioner of Highways be reviewed. In addition, the ability for the Commissioner of Highways to apply the 'power' of 'Direction' should be reviewed and should only apply where it currently applies (i.e. no change) under the *Development Regulations, 2008*, to ensure a streamlined and balanced development assessment outcome.

4.4. Car Parking

As illustrated within *Table 4.2* below, we note a marginal reduction in car parking rates for 'bulky goods outlet' and 'shops' within the Code, when compared to the existing Development Plan.

Table 4.2 – Car Parking Rates – Comparison

Land Use	Development Plan	P&D Code
Bulky Goods Outlet	4 spaces per 100sqm of GLA	3 spaces per 100sqm of GLFA
Shop or Group of Shops	7 spaces per 100sqm of GLA	6 spaces per 100sqm GLFA (where located within an integrated complex)

While we acknowledge this represents a modest improvement when compared to the existing policy framework, the proposed rates remain highly conservative and do not align with contemporary assessment rates, generally applied by traffic professionals.



For example, Homemaker Centre style developments are typically assessed on parking provisions in the order of 2.0 to 2.5 spaces per 100m² (and even lower parking demand rates are generally recorded at such sites, even during peak periods - including the Mile End Homemaker Centre). Further, 'shops' are typically assessed on parking provision rates in the order of 3-5 spaces per 100m².

In addition, Aventus question the clarity of language adopted within *Table 1 – General Off Street Car Parking Requirements* within the 'Transport, Access and Parking' General Development Policy. Specifically, there is a risk that where a development comprises multiple development types (with separately specified parking rates), a rigid interpretation of the proposed terminology which states the '*overall car parking rate will be taken to be the sum of the car parking rates for each development type*' will result in calculation of an incorrect and inflated parking rate. Instead, the terminology should make it clear that the overall parking requirement should be determined by collating the individual land use components.

This issue is highlighted below:

Table 1 – General Off-Street Car Parking Requirements	
Class of Development	Car Parking Rate (unless varied by Table 3 onwards)
	Where a development comprises more than one development type, then the overall car parking rate will be taken to be the sum of the car parking rates for each development type.

To address these concerns, Aventus request:

- Car parking rates be reviewed, particularly for 'bulky goods outlets' and 'shops', and these should be updated and reduced to reflect contemporary assessment rates.
- The language utilised within *Table 1 – General Off Street Car Parking Requirements* within the 'Transport, Access and Parking' General Development Policy, should be reviewed and clarified to remove potential ambiguity.



5.0 SUMMARY

In closing, we highlight the key issues which are of critical importance to Aventus:

- The 'Restricted' Development threshold for a 'shop' within the 'Suburban Employment Zone' be increased to 2,000m².
- Relevant Performance Outcomes and DTS/DPF criteria within the Suburban Employment Zone be amended to provide flexibility for a 'shop' up to 2,000m².
- To be further consulted on the next iteration of the Code, and in particular have the opportunity to review and test the application of 'Public Notification' requirements for the 'Suburban Employment Zone'.
- Land use activities which are 'envisaged' or 'contemplated' within the Suburban Employment Zone should not require public notification.

We thank the State Planning Commission for the opportunity to make this submission in response to consultation for Phase Three (Urban Areas) Planning and Design Code.

We would welcome the opportunity to meet with the Commission to discuss and further explain our position in relation to the matters identified above.

Yours sincerely



Michael Tye
Head of Development

APPENDIX 1 (Deep End Services)



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Aventus Holdings Limited (40 627 640 180)
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as a responsible entity of the Aventus Retail Property Fund.

Memo

To:	Michael Tye, Aventus Group
From:	Justin Ganly
CC:	
Date:	25 February 2020
Subject:	SA Planning Reforms – Mile End Home economics review

Dear Michael,

This memorandum has been prepared to accompany your submission regarding the Planning Reforms underway in South Australia and, specifically, implications for Mile End Home.

The memo provides analysis and data which sets out the economic rationale and implications of increasing the proposed shop floorspace trigger for Restricted Development within the Suburban Employment Zone from 1,000 sqm to 2,000 sqm.

Subject property

Mile End Home is located at 121-150 Railway Terrace in Mile End South, 3.2 km west of the Adelaide CBD. The centre comprises 33,440 sqm of floorspace, including 32,842 sqm of large format retailing (or bulky goods), with no vacancies. Mile End Home is the 4th largest homemaker centre in SA and the 25th largest nationally.

Mile End Home opened in 2004 and was purchased by Aventus in 2012, with an Adairs tenancy of 886 sqm added to the facility's footprint in 2015. The centre is regarded as one of the strongest traders in the country and has had little or no vacancy since being acquired by Aventus.

Mile End Home is well-positioned to service a local workforce of approximately 4,100 employed in warehouses, factories and offices in the area bound by Sir Donald Bradman Drive, South Road, Richmond Road and the rail line.

Zoning

Mile End Home is currently located in the Bulky Goods Zone. Under the proposed new planning provisions, the zone will be classified 'Suburban Employment' (which will also incorporate existing Light Industry Zones and Commercial Zones elsewhere). The proposed zone "...supports a diverse range of low-impact, light industrial, commercial (including bulky goods) and business activities that complement the role of other zones with significant industrial, shopping and business activities."

The Suburban Employment zone in the draft Code and zone provisions currently has a 'shop' floorspace trigger for 'Restricted Development' at >1,000 sqm. In other words, any retail development (other than bulky goods) over 1,000 sqm would not be encouraged in the zone and, indeed, would most likely be confined to Activity Centre and Main Street Zones.

Homemaker centre use trends

The composition of homemaker centres in Australia is evolving, with non-bulky goods retail (and non-retail) tenants increasingly comprising larger proportions of floorspace in these centres. This is leading to a broader mix of tenants, therefore strengthening the role of the centres, encouraging more frequent visitation and supporting additional local employment.

Deep End Services has been compiling and publishing *the Large Format Retail Directory* for Australia and New Zealand annually in conjunction with the Large Format Retail Association (“LFRA”) since 2009. The 2019/20 Directory will be published shortly and contains details of the size and composition of 293 Australian homemaker centres.

In 2014/15, non-bulky goods retail tenants accounted for 7.6% of occupied floorspace in Australian homemaker centres. This has steadily increased to reach 9.0% in 2019/20.

Over the same timeframe, the share of occupied floorspace accounted for by non-bulky goods retail tenants in South Australian homemaker centres increased from 7.6% to 9.7%. However, more than half of this floorspace is located within just three homemaker centres:

- Gawler Park Homemaker Centre;
- Munno Para Shopping City (external); and
- Parafield Airport Commercial Centre.

These centres all operate within zones where shop use is encouraged. Removing these centres enables a more consistent comparison to be made, with the share of occupied floorspace occupied by non-bulky goods retail tenants in the remaining South Australian homemaker centres being just 6.6% in 2019/20. New South Wales – at 6.3% - is the only major state with a lower proportion.

Victorian planning reforms

In 2013, reformed commercial zones were introduced in Victoria, with some of the same aims as in South Australia (i.e. to simplify, encourage and broaden business and employment opportunities).

Since 2014, the number of non-bulky goods retailers operating stores in the range of 1,000 sqm to 2,000 sqm within Victorian homemaker centres has increased from 12 to 34. The new stores are operated by supermarket chains and other non-bulky goods retailers including:

- ALDI (4 stores)
- TK Maxx (3)
- Chemist Warehouse (2)
- Reject Shop (2)
- Independent supermarkets/food emporiums (2)

A number of stores operated by these and other similar brands have also been opened within non-homemaker centre locations but on land with the same zoning.

It is evident that the planning reforms in Victoria have contributed to a substantial increase in non-bulky goods retail floorspace (and mainly from tenants in the range of 1,000 sqm to 2,000 sqm). Indeed, the proportion of occupied floorspace taken by non-bulky goods retail tenants in Victorian homemaker centres has increased from 4.6% in 2014/15 to 8.7% in 2019/20.

Despite initial concerns when the reforms were announced – and particularly from shopping centre owners – it is evident that centre hierarchies have not been disrupted in Victoria while the state’s retail sales performance has been the strongest, by some margin, in Australia during the past five years.

Implications for Mile End Home

Mile End Home currently contains three tenants which are non-bulky goods retail tenants:

- | | |
|--|----------------|
| • Kitchen at Home (café) | 151 sqm |
| • Nutrition Warehouse (health supplements) | 147 sqm |
| • Subway (takeaway food) | 82 sqm |
| • Total | 380 sqm |

These tenancies represent just 1.8% of the centre’s floorspace, well below the SA average of 9.7% (or 6.6% excluding the three identified homemaker centres at Gawler, Munno Para and Parafield). Mile End Home would therefore require an additional 1,827 sqm of such floorspace to bring it to 6.6% of the centre’s total.

There are a number of non-bulky goods retail tenants in the 1,000 sqm to 2,000 sqm size range which would regard Mile End as an ideal location to trade and, as a result, would alter the centre’s floorspace provision to be more in line with South Australian and Australian averages. These are now discussed.

Supermarkets

ALDI, Drakes, the Chapley Group, Foodland, IGA and Foodworks all operate supermarkets in the 1,000 sqm to 2,000 sqm range, with a total of 57 stores for these groups in this size range within the Adelaide market. This represents 37% of these groups’ store fleets in the market, reinforcing the importance of the size range for the groups.

However, it is apparent that these groups currently have limited opportunities in many of the inner and middle suburban areas of Adelaide which are dominated by very small (<1,000 sqm) or large supermarkets (>3,000 sqm).

With an adjustment to the floorspace controls, the mid-sized supermarkets could grow their presence in the inner and middle areas, offering better choice and competition for consumers.

A 1,500 sqm supermarket with a trading level of \$12,000 per sqm would achieve sales of \$18 million. To put this in perspective, Mile End Home's primary catchment area contains a population of approximately 164,000 while the total catchment area contains a population of approximately 486,000. The annual Food & Grocery¹ ("F&G") retail spending capacity of the residents living in these markets is approximately \$998 million and \$2,984 million respectively. The typical sales of \$18 million for a supermarket of 1,500 sqm trading at Mile End Home would correspond to only 1.8% of primary catchment area F&G spending and 0.6% of total catchment area F&G spending. This, of course, does not exclude the sales which would be sourced from the large local workforce.

Impacts would be distributed across a large number of supermarkets and other food retailers and would not harm the existing retail hierarchy. Indeed, there is a need for such additional supermarket floorspace, with provision rates for the primary catchment area (0.34 sqm per capita) and total catchment area (0.38 sqm per capita) both being below the average supermarket provision rate for the Adelaide metropolitan area of 0.40 sqm per capita after the addition of a 1,500 sqm supermarket at Mile End.

Other retailers

Other mid-size retailers would also benefit from increasing the Restricted Development trigger for shop floorspace from 1,000 sqm to 2,000 sqm within the Suburban Employment zone. Examples would include Chemist Warehouse, large format liquor stores such as Dan Murphy's or First Choice, The Reject Shop, TK Maxx and Totally Workwear.

Similar to supermarkets, the contribution of these retailers to non-bulky goods floorspace would be relatively small and not create an imbalance at Mile End Home. Their respective market shares of relevant retail spending would also not be significant enough to jeopardise the hierarchy of activity centres in the Mile End Home catchment.

Conclusion

The proposed new Suburban Employment Zone, if combined with an increase in the Restricted Development floorspace from 1,000 sqm to 2,000 sqm, would reflect a planning system that is responding to industry and consumer needs for a greater variety of uses. This particularly the case for homemaker centres which are often located in areas with the proposed zoning.

As a result, South Australian homemaker centres would be capable of offering a wider range of non-bulky goods retail tenants, bringing the state in line with other states in Australia (and particularly Victoria).

At Mile End Home, the addition of a mid-range supermarket would help to address local undersupply and offer additional choice for local workers and residents. Other mid-size retailers such as pharmacies, discount variety stores or liquor outlets would provide a similar level of increased amenity.

¹ Food & Groceries (F&G) represents the majority of supermarket turnover and includes perishable and non-perishable food, cigarettes, personal care and non-prescription pharmaceuticals and magazines & stationery



Importantly, the addition of such tenants would, in no way, threaten the continued successful operation of the local retail hierarchy.

We trust that satisfies your requirements but please contact me on [REDACTED] if you should need to discuss this memo.

Kind regards

A handwritten signature in black ink that reads "Justin Ganly". The signature is written in a cursive, flowing style.

Justin Ganly
Managing Director

APPENDIX 2 (Suburban Employment Zone)



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Aventus Holdings Limited (40 627 640 180)
Aventus Capital Limited (34 606 555 480)
as a responsible entity of the Aventus Retail Property Fund.

The following key provisions should be amended to provide additional flexibility for a shop up to 2,000m² in the Suburban Employment Zone, with key issues highlighted – particularly to remove ambiguity and to clarify scale and intensity of land use:

Suburban Employment Zone

PO 1.1

A range of employment generating light industrial, service trade, motor repair and other compatible businesses **servicing the local community** that do not produce objectionable emissions.

PO 1.2

Shops, other than bulky goods outlets, **provide a local convenience service to meet the day to day needs of the local community** and surrounding businesses as well as support the sale of products made on-site as a supplement to a business activity to enhance local job opportunities.

DTS/DPF1.2

Shop:

- a. with a gross leasable floor area up to 500m²; (Note: there should be an 'or' here)
- b. in the form of a bulky goods outlet; or
- c. ancillary to and located on the same allotment as a light industry.

Procedural Matters

Notification of Performance assessed development

All classes of performance assessed development are excluded from notification except where it involves any of the following:

(d)

