9 December, 2011

Outer Suburban Interface Services & Development Committee (OSISDC)
Inquiry into Growing the Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne
Parliament of Victoria
Spring St
EAST MELBOURNE VIC 3002

Dear Committee Members,

Re: OSISDC Inquiry into Growing the Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne

Thank you for the invitation to make a submission in relation to the OSISDC’s Inquiry into Growing the Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne (“the Inquiry”). This letter forms the basis of our submission, and is concerned broadly with three of the Terms of Reference of the Inquiry, as follow:

a. Identify existing public and private infrastructure provision, including schools, hospitals, commercial and shopping precincts, transport and roads, telecommunications, water and power;
b. Assess the capacity of existing infrastructure to accommodate increased population growth;
c. Investigate options, based on intrastate, interstate and international evidence, which reduce pressures on infrastructure and essential services

Our submission can be broken down into three broad components, considering in turn Westfield’s Australian and international business, which provides the backdrop for our interest in the Inquiry; an overview of the retail property development process, and inter-relationships between population growth and demand for retail floor space; and finally the presentation of summary data relating to Westfield’s existing Victorian portfolio of retail properties, which are pertinent to the Terms of Reference.

Westfield Limited

The Westfield Group has interests in and operates one of the World’s largest shopping centre portfolios. The global portfolio has 124 high quality regional shopping centres in Australia, New Zealand, the United States, the United Kingdom and Brazil.
Westfield is a vertically integrated shopping centre group. It manages all aspects of shopping centre development, from design and construction, through leasing, management and marketing. The Group creates value through intensive management at an operational level, and a strategic development program which continually improves the quality of the portfolio – meeting the demands of a growing population for retail floor space, and providing a constantly evolving retail experience for shoppers.

The Australian portfolio currently comprises 44 centres, 38 of which are managed by the Westfield Group. The Group has assets in every major metropolitan city across Australia, as well as key regional markets. The portfolio ranges from smaller community-based centres anchored by supermarkets and up to 100 retailers, to super-regional centres with multiple department stores and several hundred specialty stores. During the past decade, in areas such as Plenty Valley, in Melbourne, and Helensvale and North Lakes, in Queensland, the group has completed green field developments of shopping centres to serve the growing populations of surrounding regions. In addition, a growing part of Westfield’s portfolio are marquee centres such as Bondi Junction and Sydney, in Sydney, and Doncaster in Melbourne. These centres have been developed progressively over a number of years, and are now positioned as world leaders in shopping centre design and retail experience.

In more than 50 years of operation in Australia, Westfield has shaped and observed the development of the shopping centre industry. In our observation, the most successful shopping centres during this time have responded to existing and planned real growth in demand for retail facilities, as driven by population growth and the changing nature of the retail landscape. They have been characterised by orderly expansions – or, in emerging growth areas, new-built facilities – supported by Government investment in public transport and infrastructure. Our understanding of the inter-relationship between these two key components of successful retail development is the driver of our interest in the Inquiry.

Retail Property Development

As suggested above, demand for new or expanded retail facilities is generally a factor of population growth, and/or the development of new retail concepts (such as the bulky goods retail parks and factory outlet centres that have made growing contributions to the retail landscape in the past 10 years). Of relevance to the Inquiry is of course retail demand driven by population growth.

Several rules of thumb, based upon observations of existing successful shopping centres and the trade areas they serve, can be used to determine broadly the appropriate level of retail floor space to serve any population. For example:

- 10,000 persons are typically required to sustain a full-line supermarket of 3,500+ sq.m in size;
- A discount department store of around 6-7,000 sq.m in size generally needs a catchment population of 35,000-45,000 persons to be sustainable;
- Successful department stores generally serve catchments of 100,000 + persons
In this context, the fact that population levels, particularly in identified growth areas such as the outer suburbs of Melbourne, are rarely static, highlights the need for an orderly, planned approach to retail development.

Large scale retail development is, of its nature, a “lumpy” process. The process of site selection and/or acquisition, design, development approval, then construction can take many years. Indeed, it is not uncommon for retail development timelines to exceed 10 years. Rarely is a retail development completed at the exact time that the population of its catchment reaches optimal levels to sustain it. It is more likely that the pre-construction feasibility of any retail development is based upon an undersupply of retail floor space in relation to existing population demand, or in anticipation of strong forecast future population growth. In either scenario, it is also very rare for a new facility to be developed in complete isolation from other private and public infrastructure. The Inquiry's first term of reference inherently recognises the inter-dependence of and common demand drivers for, key elements of infrastructure (being schools, hospitals, commercial and shopping precincts, transport and roads, telecommunications, water and power).

Once built, the success of any retail development (shopping centre) is integrally related to the trade area, or catchment it serves. Key factors in determining the extent the trade area served by a shopping centre include:

- The centre’s size, and the mix of retail tenancies provided within it. In this regard, the strength and appeal of the major/anchor tenancies within a centre (generally department stores, discount department stores and supermarkets) is critical to its success.
- The ease of access for customers to the centre, either by public or private means.
- Any natural or man-made barriers that may serve to limit accessibility to the centre.
- The provision of competitive retail facilities within the local region.

The retail mix ultimately delivered in a shopping centre is the responsibility of the developer, and a factor of their ability to understand the demand profiles of both shoppers (for retail goods and services) and retailers (for new retail floor space). The second, third and fourth bullet points are however directly relevant to the Inquiry’s terms of reference. They highlight the need for complementary government investment in public and private transport, along with a balanced and transparent planning system, to ensure that a new or expanded shopping centre is able to effectively meet the retail needs of shoppers.

**Westfield’s Victorian shopping centres**

Westfield currently has interests in 7 shopping centres in and around Melbourne - Westfield Airport West, Westfield Doncaster, Westfield Fountain Gate, Westfield Geelong, Westfield Plenty Valley, Westfield Southland and Knox Shopping Centre (non-managed).

Each of these centres has been developed over time to meet the changing retail needs of their surrounding populations. Of greatest relevance to the Inquiry, are Westfield Plenty Valley, (given its proximity to the Hume/Mitchell/Whittlesea investigation area, as identified by the Victorian Department of Planning and Community Development) and Westfield Fountain Gate (for its proximity to the Casey/Cardinia Investigation areas).
Table 1, following, provides a snapshot of key metrics and development history for each of Westfield’s managed Victorian shopping centres:

<table>
<thead>
<tr>
<th>Centre</th>
<th>Built</th>
<th>Latest redevel.</th>
<th>GLA</th>
<th>Anchor tenants</th>
<th>Trade area population</th>
<th>Trade area population growth (2010-2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport West</td>
<td>1976</td>
<td>1999</td>
<td>55,669</td>
<td>Harris Scarfe, Target, Kmart, Woolworths, Coles</td>
<td>317,210</td>
<td>1.9%</td>
</tr>
<tr>
<td>Doncaster</td>
<td>1969</td>
<td>2008</td>
<td>120,342</td>
<td>Myer, DJs, Target, Big W, Woolworths, Coles</td>
<td>383,280</td>
<td>0.7%</td>
</tr>
<tr>
<td>Fountain Gate</td>
<td>1980</td>
<td>u/c*</td>
<td>137,286</td>
<td>Harris Scarfe, Target, Big W, Kmart, Woolworths, Coles</td>
<td>327,390</td>
<td>3.7%</td>
</tr>
<tr>
<td>Geelong</td>
<td>1988</td>
<td>2008</td>
<td>51,972</td>
<td>Myer, Target, Big W, Coles</td>
<td>259,330</td>
<td>1.5%</td>
</tr>
<tr>
<td>Plenty Valley</td>
<td>2007</td>
<td>2007</td>
<td>53,086</td>
<td>Target, Kmart, Woolworths, Coles</td>
<td>174,740</td>
<td>4.0%</td>
</tr>
<tr>
<td>Southland</td>
<td>1968</td>
<td>2000</td>
<td>129,071</td>
<td>Myer, DJs, Harris Scarfe, Target, Big W, Kmart, Woolworths, Coles</td>
<td>349,530</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

* last redeveloped in 2002, Westfield Fountain Gate is currently undergoing an expansion to add a Myer department store and additional specialty floor space

Key points to note from this table include the following:

- **Development history** – development dates spanning 1969 through 2008 highlight the long-term nature of retail property investment, and associated evolution of retail assets. The Westfield Doncaster of today is a very different property to the 1969 shopping centre. It has evolved in line with consumer and retailer demand for retail floor space in its trade area.

- **Size and anchor tenants** – the broad range of centre GLAs and anchor tenancies reflects the differing roles played by different centres within their catchments. Westfield Doncaster, for example, has recently been expanded to provide its large, but relatively low growth, trade area with a comprehensive “one-stop-shop” retail experience. Conversely, Westfield Plenty Valley is substantially smaller, and at this stage of its development cycle serves a much smaller (but growing) trade area with a more convenience-oriented retail offer.

- **Trade area population growth** – the range of population growth rates across Westfield’s Victorian portfolio is also a guiding factor in determining past and future development prospects. The two highest growth trade areas are Fountain Gate (which is currently undergoing a redevelopment to add a Myer department store and additional retail specialty floor space) and Plenty Valley, whose Stage 1 development was driven by the population growth prospects of the surrounding area.
In conclusion, Westfield is a significant stakeholder in the retail landscape of greater Melbourne. We have a strong interest in the ongoing development of retail facilities across the region – either of existing centres, or, where future population growth warrants, new developments – which in our opinion must be supported by government investment in complementary public and private transport infrastructure.

Please do not hesitate to contact me with any queries regarding this submission. Westfield would also welcome the opportunity to present to the Committee in person.

Yours sincerely

Andrew Robertson
Asset General Manager, Victoria
Westfield Developments