

AVALON TOWN CENTRE

Retail Analysis



Prepared for Northern Beaches Council

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Quality Assurance

Report Contacts

Nicholas Hill

Associate

Mater of Property Development, UTS

M. Science, M Human Geography, Macquarie University

Nick.Hill@hillpda.com

Supervisor

Adrian Hack

Principal, Urban and Retail Economics

Master Land Economy Sydney Uni.

B. Town Planning (Hons). MPIA

Adrian.Hack@hillpda.com

Quality Control

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Reviewer

Signature



Dated

26/09/19

Report Details

Job Number	C19110
Version	Final
File Name	Avalon Town Centre Retail Analysis
Date Printed	26 September 2019

EXECUTIVE SUMMARY

HillPDA was commissioned by Northern Beaches Council (Council) to undertake a retail analysis for Avalon Town Centre (study).

The purpose of this study was to address several concerns raised by the local community during consultation undertaken as part of the Avalon Place Plan. One of the key areas of concern raised by the local community related to the economic vitality and vibrancy of the local retail centre – in particular the amount of vacant retail space; perceived high retail rents; seasonal fluctuations and associated impacts on businesses outside of peak periods; and the lack of night/evening life.

Council wanted to better understand if the concerns of the community with regards to economic performance and vibrancy of the Avalon Town Centre were justified. Additionally, Council wanted to understand best practice initiatives they could possibly implement to reduce vacancies and enhance the economic vibrancy of the Centre.

To meet the requirements of the brief, the Study undertook the following steps:

1. A detailed floorspace survey of Avalon Town Centre and two comparable town centres; to have a detailed understanding as to their respective floorspace mix and current vacancy rates for further analysis.
2. A discussion on what is a healthy vacancy rate for strip retailing in a centre of Avalon's size. Factors that could influence or increase the vacancy rate were also explored and discussed.
3. Benchmark Avalon Town Centre against two comparable centres in the Northern Beaches to better understand if there is an obvious economic disadvantage in Avalon.
4. Undertake a desktop review of market sales and leases and informal interviews with local real estate agents to understand the current commercial/retail market conditions in Avalon and comparable centres.
5. Provided a high-level summary of key factors that contribute to successful and sustainable retail strips/centres. Lastly, a short discussion on possible best practice initiatives that Council could explore/endorse in Avalon to reduce vacancies and enhance economic performance was undertaken.

The key findings for each step are as follows.

Avalon Town Centre

Avalon Town Centre services the local resident population of Avalon Beach and surrounding suburbs including Clareville, Bilgola, Palm Beach and Scotland Island. Residents are the primary users of the Centre with a large population of retirees and people working from home keeping the main street active throughout the week. Avalon public school also provides an activation role for the Centre with increased activity in the morning and afternoon as parents drop off and pick up their kids.

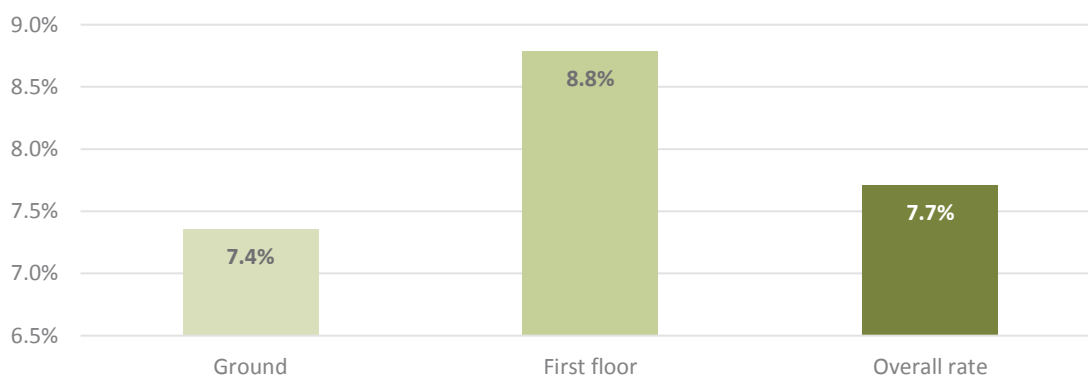
HillPDA undertook a detailed floorspace audit of Avalon Town Centre in July 2019. As the timing of this audit was in winter, which is considered the "off-peak" season. As such, the audit assessed the health and vacancy rate at a time when Avalon experiences its lowest demand. The Audit found that Avalon currently, provides a total of 33,640sqm GFA of mixed-use floorspace (ground floor and above ground / first floor). Of this, around 23,520sqm GFA or 70% is employment-related space while the remaining 10,120sqm GFA (30%) is residential. Employment space was comprised of the following broad uses:

- 1,798sqm GFA or 7.6% supermarket
- 10,952sqm GFA or 46.6% speciality retail
- 7,315sqm GFA or 31.1% commercial
- 1,542sqm GFA or 6.6% recreation/fitness/entertainment
- 1,814qm GFA or 7.7% vacant
- 100sqm GFA or 0.4% was being renovated.

Avalon's current vacancy rate

The split of vacancy rates by ground floor versus the first floor is 7.4% to 8.8%. Lower vacancy rates on the ground floor space are typical in retail centres, as this space is often more attractive and sought after, particularly by retail occupants owing to the greater exposure to passing trade.

Figure 1: Avalon vacancy rate by level

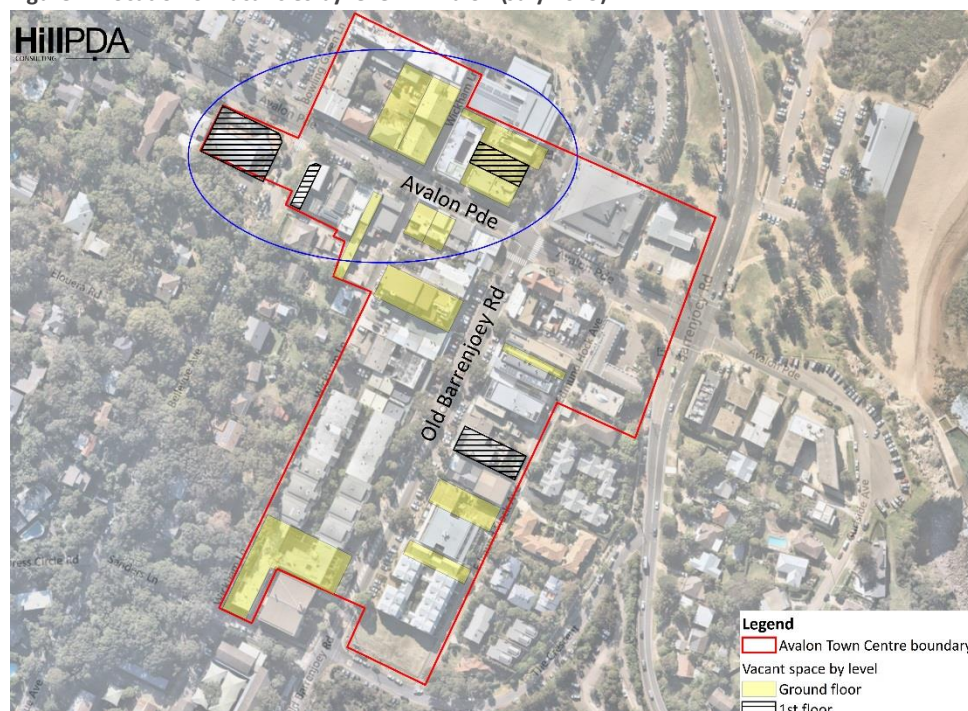


Source: HillPDA 2019 audit

The level of vacancy is a leading indicator of a centre's health but also the location and nature of the vacancies is important. For example, significant clustering of vacancies or a high concentration of vacancies in the middle of a centre's prime area can be indicative of centre struggling with future vacancies spreading. Examples of this can be the loss of the local supermarket or cinema. Vacancies in a new development or a spread of vacancies can be indicative of a centre's regeneration.

As seen in the figure below, vacancies in Avalon are predominately dispersed and on its flanks. Avalon has a clustering of vacant premises in the north-western corner along Avalon Parade (blue circle), with a total of around 1,125sqm GFA or 62% of the Centre's vacant space being in this section. It is noted that a number of these are in walkthrough arcades which are generally more difficult to lease than shops facing the main street. Overall, the vacancy pattern across the Centre is indicative of a centre performing adequately without cause for alarm.

Figure 2: Location of vacancies by level in Avalon (July 2019)



Avalon's trade area

The location of Avalon Town Centre, at the entrance of a peninsular, lends to it having a Primary Trade Area (PTA) that serves the resident population of Avalon, Clareville, and Palm Beach. A Secondary Trade Area (STA) extends southward primarily into the suburbs of Bilgola, Bilgola Plateau and Scotland Island. However, this STA is limited by the presence of Newport, Mona Vale and Warriewood retail centres (Figure 8).

It is estimated that this trade area contained a population of around 16,975 residents in 2016. Applying per capita floorspace provision benchmarks, identified by the Greater Sydney Commission (GSC), and various capture rates, it is estimated that around 11,800sqm of retail space could be supported in the Centre. Currently the Centre has around 14,050sqm of retail and vacant shopfront space. As such, residential demand likely accounts for around 75-85% of the Centre's floorspace with around 15-25% likely arising from other sources such as workers (from outside the catchment) and visitors/tourists to the Centre.

This high-level analysis provides some indication on the reliance from visitor/tourism trade that exists in Avalon. This is not to say, however, that all the vacant space currently in the Centre is a result of a reduction of visitors/tourists in the "off-peak" season. Demand in the Centre likely increases in "peak" season with new cafés and other shops, reducing vacancies. During the "off-peak" season some of these stores would close, increasing vacancies, however some would "survive" relying on surrounding residents and workers for their trade. As such, vacancies in the Centre would ebb and flow with the seasons.

Avalon's retail mix

Avalon provides retail services for its local resident, worker and visitor/tourist communities. As such, its retail mix should provide for both the daily and weekly needs of these trade segments.

Avalon's retail mix was compared to three other seaside centres that also provide for their local resident, worker and visitor communities. These centres were Kiama, Narrabeen and Newport. Avalon's retail mix was comparable to these centres especially Kiama. As such, it's likely to be serving the needs of its various trade segments. Nevertheless, Avalon could benefit from a slightly larger supermarket or another food and grocery store. The

amount of café space also likely fluctuates in accordance with the season. However, the employment lands strategy should provide a more detailed analysis on the current /future supply and demand requirements for the Centre. An appropriate mix of space is also being identified in the strategy.

Tourism expenditure and its implications on retail demand

Expenditure from visitors and tourists is a large component of the Northern Beaches economy and a key driver of its retail floorspace demand. In 2018 to 2019 it is estimated that visitors and tourists spent \$511 million in the local economy. Around 30-40% of this expenditure on food and other retail goods and services, equating to around \$160m to \$200 million. This expenditure could generate demand for 20,000 to 25,000sqm of retail space across the LGA, predominantly in food and grocery stores, take-away, café/restaurant and gift/souvenir stores.

Tourism Research Australian and Destination NSW do not provide exact data for the Northern Beaches LGA or Avalon Town Centre making the exact contribution/impact that tourism expenditure plays in Avalon difficult to estimate.

It is recommended that an annual visitor survey, like that undertaken for Palm Beach and Manly, be undertaken for Avalon to better understand why people visit the Centre, type of visitor, length of stay, total retail spend and types of services they visit/spend money on. The survey should be undertaken in a way that allows an estimation on the total number of visitors to the Centre, in summer and winter periods.

This data would allow a more detailed understanding as to the contribution the visitor/tourism sectors makes to the Centre and the likely impact that the “low season” has upon retail demand and vacancies in the Centre.

Is allowing for some level of vacancy good? Is there a target vacancy rate?

Allowing for some level of vacancy in a centre is important because it allows new tenants to enter the market; allows for existing tenants to reposition themselves to a better location or change floorspace requirements and maintains downward pressure on rents.

There is, however, no universally agreed healthy vacancy rate, but our experience over the last 30 years of centres survey and market research suggests vacancy rates of between 5% to 10% is reflective of a typical centre, while a vacancy rate over 15% would be considered unhealthy and reflect a centre that may be struggling.

Currently, Avalon has an overall vacancy rate of 7.7% which falls within the acceptable range. Land use audits undertaken by HillPDA for the nearby centres of Narrabeen and Newport found they had vacancy rates of 4.3% and 16%, respectively.

Further research and studies have found that across all of Hornsby LGA’s retail centres there was a vacancy rate of 9.1% in 2019, while Sydney’s Oxford Street had a rate of 8.9% in 2019, Double Bay had a 4.8% vacancy rate in 2019 while across 11 retail strips in Melbourne there was an average vacancy rate of 8.6% in 2018.

Interestingly, the 2013 Warringah employment lands strategy identified a combined vacancy rate of around 6.9% across its smaller neighbourhood, small village and villages. The audit was undertaken in 2012, however, the exact month was not stated. Given that the strategy was finalised in April 2013, the audit was likely undertaken in spring or early summer of 2012, as the “peak” season picked up. As such, the vacancy rate may be comparable to the current level.

In consideration of the above, Avalon’s vacancy rate of 7.7% is considered reasonable and reflective of a retail centre performing adequately. This snapshot in time does, however, require continual monitoring to confirm this is not an increasing trend as more vacancies can lead to further vacancies as passing foot traffic is reduced. It is just not a consumer issue but also business owner confidence issue.

Influences that can impact a centre's vacancies include:

1. The vacancies leading to more vacancies: a high number or concentration of vacancies in one area of a centre can lead "no go zones" or "black spots" where visitors or potential tenants avoid going. This can lead to more vacancies as surrounding shops relocate due to low foot traffic and amenity.
2. Landlords are unwilling to renovate: Landlords can be unwilling to renovate if they perceive an opportunity to redevelop the site in the future based on developer speculation. Zoning changes can have this negative impact unless there is the demand to support this change.
3. Online retailing: online retailing has allowed stores to trade beyond their traditional geographical boundaries increasing competition. This has led to changing business models, smaller floorplate requirements and a focus on centres providing an increased customer experience in order to draw them back.
4. Mixed-use developments on the periphery of centres: extending centres on the periphery through mixed-use developments without clear retail demand can increase vacancies on the periphery. If left unabated this can decrease amenity and lead to a spread of further vacancies.
5. The impact of rents on the capital value of a premises and loan-to-value ratio (LVR): Retail leases compared to residential leases are generally longer-term (3 or 5-years). Landlords are reluctant to reduce their rents to meet a perceived short-term market downturn in rents. More often they prefer to hold out longer for the right tenant/rent can be sought. Other impacts of taking up a lower rent for a fixed long-term lease can mean a reduction in the property's valuation. If the property is mortgaged it impacts their loan-to-value ratio (LVR) and require a top-up of equity by a landowner or a forced sale of the property. The ability to take up short term lease (pop up shops) is one solution to this complex market factor.
6. Demolition clauses can increase vacancies. This occurs when the uncertainty around the redevelopment of a building discourages tenants to occupy a premises.

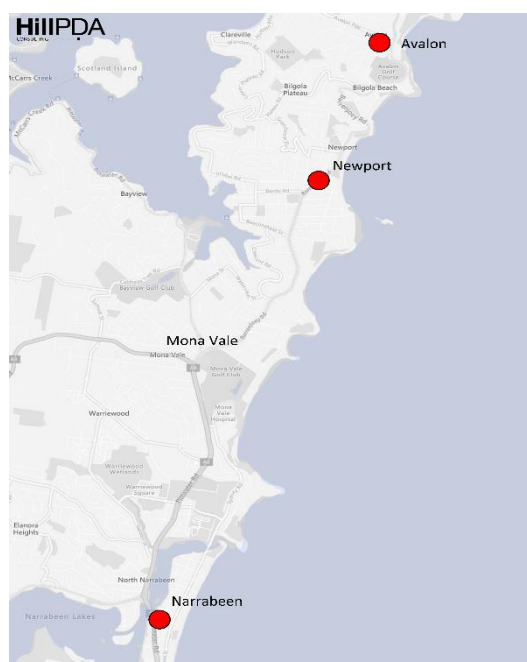
How does Avalon compare to other Northern Beaches centres?

HillPDA benchmarked Avalon Town Centre against Narrabeen and Newport as comparable centres in the Northern Beaches. These were chosen as comparable centres given that they each have an anchor retailer (supermarket), predominantly provide retail services for the surrounding community, experience similar seasonal fluctuations and are in the Northern Beaches LGA.

The types of metrics benchmarked include:

- Floorspace composition
- Vacancy rates
- Current and forecast population growth
- Retail spend per capita levels
- Night-time economy.

Comparatively, Avalon is performing well, with a strong presence and number of anchors, a good mix of tenants and provision of retail space and the presence of a night-time economy.



However, forecast decline or minimal growth in the surrounding resident population will have an impact on the future economic viability of the Centre. For example, the population in the small area of Avalon Beach - Clareville

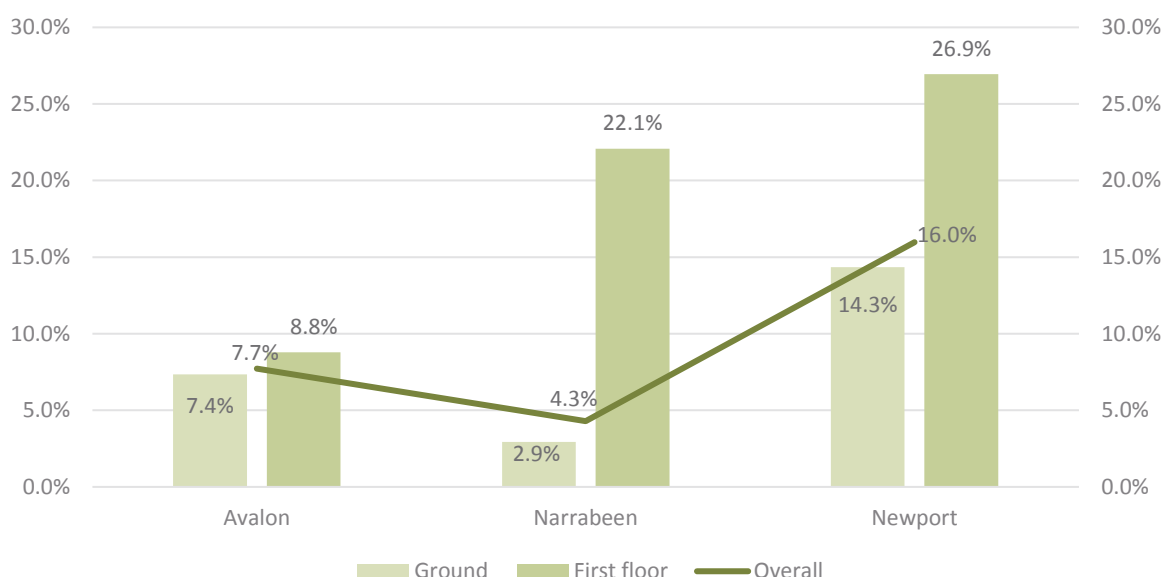
is forecast to decrease by 107 by 2036. In comparison, Narrabeen is expected to have an additional 1,683 residents and Newport an additional 149 residents.

Regarding overall vacancy rates (ground and first floor), Avalon had the second-lowest rate (7.7%), with Narrabeen at 4.3% while Newport showed a high vacancy rate of 16%.

Avalon's first-floor vacancy rate was significantly lower than the comparable benchmarks recorded for Narrabeen and Newport (22.1% and 26.9%, respectively), revealing that Avalon has a stronger attraction to commercial tenants. This is in part related to Avalon's residents being connected to the Centre as a place to work and potentially as an innovation hub given the Centre's connection to the surf culture. This is also evident in Manly Town Centre and parallels (at a more micro-level) could be made.

We note that this vacancy rate in Avalon occurred in the winter months (the "quiet period" with the absence of summer vacation makers). We would expect a survey during holiday season might show an even lower rate indicating Avalon remains in comparative terms a reasonably vibrant and sustainable Centre across its retail and commercial sectors across the entire year.

Figure 3: Vacancy rates across Avalon and comparable centres by floor type



Source: HillPDA 2019 audit

Market intelligence

A desktop review was undertaken of commercial and retail rents across the three comparable centres (Avalon, Narrabeen and Newport). The desktop analysis was supplemented by informal interviews with local real estate agents which were active in the local area.

Our analysis found that each of the centres had various levels of enquiry pending on the season, state of the market and the type of space available. Rents in Avalon were on average 10-15% higher than the other town centres however, agents commented that this was justified given the high amenity and popularity of Avalon.

The location of Avalon Town Centre sitting back from the main road, its quiet village amenity and strong anchor tenants including Woolworths, library and the school contributed to the higher market rent. Businesses that could not pay the higher rents, or unwilling to do so, could select Newport or other locations such as Narrabeen.

Several shops have remained vacant in Newport for an extended period, which has led to a historic high vacancy rate. The reason these shops have remained vacant is owing to a demolition clause which has created

uncertainty for potential tenants. A Woolworths supermarket is proposed on the site which would considerably strengthen Newport's competitive position.

Reports from agents outlined some landowners have had to drop rates as high as 30-50% to lease vacant space in Newport. This would further increase the perceived higher asking rents in Avalon if the above trend was not understood.

The general lack of redevelopment within the centres has led to the ageing of stock. Landlords are unwilling to invest in upgrading their premises without the expectation of rental increases. This, however, is a general trend across the locality and as such is not localised to Avalon alone.

During the consultation process, it was stated that shops remain vacant for a long time because landlords were asking rents above market value. Discussions with agents indicated this was not the case and that the difference between asking prices and agreed prices was minimal.

Comparison between the range in commercial rents across the centres is provided in Figure 13 and Figure 14.

Possible initiatives to improve Avalon Town Centre

Having reviewed community comments, analysis of key factors influencing successful retail strips and our previous experience, the following best practices initiatives to create a more vibrant and sustainable centre have been identified.

1. Activate the Centre through special events

Avalon currently holds the Avalon Market Day on the third Saturday in November however, there is an opportunity to increase the number and diversity of events in Avalon with the aim of increasing awareness and activation. For example, an evening cinema event could be organised in collaboration with the Avalon Palm Beach Business Chambers and United Cinemas Avalon or a local food/wine festival or sporting competition linked to the beach/centre.

Any event would be more beneficial if it was in proximity to the Centre with strong links to existing retailers. The community centre might also include a dance or talent competitions (Avalon has talent night) along with regular concerts.

2. Improved street frontage program

Council could implement an active retail frontage improvement program, like that initiated by Parramatta City Council. Parramatta City Council's Church Street Retail Frontage Improvement Program offered eligible applicants a rebate of up to 30% of façade, awning and shopfront improvement costs to a maximum of \$20,000. A similar program could be trialled in Avalon to improve locations of less active or run-down street frontages.

3. Create activity cluster(s) such as an "Eat Street"

The amount of clothing space and businesses in Avalon could provide the opportunity for a clothing precinct while the potential redevelopment opportunities along various laneways (such as Simmonds or Wickham Lane) provides an opportunity for the development of an eat street(s).

This concept currently being explored by Glen Eira Council in the town of Bentleigh, Victoria and was an outcome of community consultation.

The Avalon Place Plan could identify a possible "eat street" location(s) in the Centre with revised planning controls to encourage activation or a no-charge outdoor dining zone being identified in this area.

4. Increase density within a walkable catchment

Encouraging a balance of commercial and residential densities in and around a centre can enhance activation both during the day and night. Currently, the resident population surrounding Avalon is forecast to be slightly decreasing over the next 20 years which has both economic and demand implications. It is noted that shop-top housing is permissible in the centre. However, given the majority of lots are narrow in width they require the amalgamation of several lots for residential development to be permissible under Australian Design Guidelines (ADG). This amalgamation of lots requires a sales premium to incentivise owners to sell. This undermines development viability unless building heights and FSRs increase. The lack of mixed-use development would infer this to be the case. It is recommended that a feasibility study be undertaken to assess at what tipping point (of FSR and height) redevelopment becomes viable in the centre.

Mixed-use development in Avalon, would:

- Provide new retail/commercial space increasing the attractiveness of the Centre to potential occupiers
- Increase surrounding residential densities as well as the positive economic flow-on effects associated with an increasing residential population.

5. Encourage pop-up shops to reduce vacancies and create opportunities for local businesses

Pop-up shops can help revitalise a centre by activating vacant shops in the short term without significant investment by the landlord. This can prevent black holes (dead activation areas) appearing in the centre.

Either the Business chambers (through as landowners levy) or Council could subsidize part of the rent for pop-up shop operators over a short period or work with business owners, where they provide their premises for short term (1-12 months) until a permanent lease is attained.

The original pop-up program can be traced to the 2008 Renew Newcastle project, initiated to address the high number of vacant spaces and unaffordability issues in the CBD. The project was the catalyst for renewed commercial investment in the area around Newcastle's formerly dilapidated Hunter Street Mall and was cited by property owners, business groups, media and politicians for being responsible for the economic turnaround in the formerly rundown area of the city.

Landlords provided the vacant shops to the project with each tenant paying the outgoings on their premises and a \$20 a week participation fee that went towards maintenance of the properties. The program also applied 30-day rolling contracts to allow businesses to claim back their property when needed. Additionally, it granted licences, rather than leases, which removed tax and insurance obligations for the property owner¹.

The City of Sydney currently has the Creative Spaces program, started in 2012, which originally aimed to revitalise Oxford Street while giving start-up creative businesses a 'leg up'. The program has expanded since its inception to include a wide range of services and locations. Consultation with the City of Sydney revealed some of the following metrics of the program:

- The spaces were owned by Council
- A company called BrandX found potential occupiers while Colliers managed the leasing
- Leases/licences were for a period of 3-6 months with a rolling licence thereafter
- Tenants paid an upfront bond of \$400
- Regardless of the size or outfit tenants paid \$100 per week.

Council could also explore a similar program for Avalon to address potential long-term vacancies or revitalise a centre while also giving local businesses a chance to explore opportunities.

¹ The Sydney Morning Herald, Pop-up principle allows groups to get creative in unused spaces, Lucien Alperstein 2011

6. Encourage an additional anchor tenant

Avalon has a good number of anchor/attractors to the centre which are spread throughout including the public school, library, RSL and Woolworths supermarket. The dispersed nature of these attractors encourages movement throughout the Centre helping increase activation throughout the day.

For example, there is an opportunity for an additional anchor store such as a Harris Farm or smaller supermarket (depending on demand) on a site which is currently vacant on The Crescent. Whilst this is not Council owned land it still provides an opportunity for that outcome.

7. Initiate a Business Improvement District program.

Encouraging the refurbishment of existing office and retail stock would also enhance the look and feel of the Centre and attract new tenants and further investment. This could be done through Council grants or through a Business Improvement District program.

As defined in a recent briefing paper drafted by House of Commons Library - *A Business Improvement Districts (BIDs) are partnerships between local authorities and local businesses which are intended to provide additional services or improvements to a specified area.* An example in Australia is the Gosford Business Improvement District (GBID), which is a not-for-profit organisation seeking to improve local conditions of businesses, including attracting more people into the city centre and improving the quality of visitor experiences.

If landowners agree, a BID would be an appropriate mechanism to improve the amenity of the Avalon Town Centre and enhance place activation and marketing. There are also numerous other examples of successful business improvement districts operating around the world that can also be drawn upon for guidance.

Please note, Council is not intended to collect revenue or allocate its spending, this would be done possibly through the local business chambers or another independent organisation, such as a collection of businesses/landowners. Rather Council's role would be to facilitate the development and/or support the BID.

8. Planning review and feasibility testing

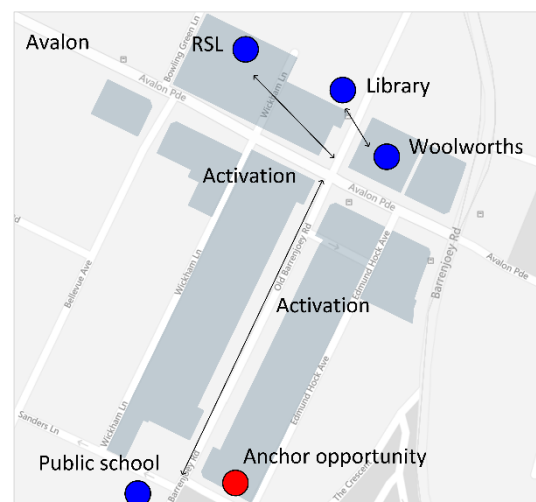
As part of the employment lands strategy, a review of the former Manly, Pittwater and Warringah LEP land use tables for commercial zones should be undertaken. This would aim to identify any non-residential land uses that are currently not permitted to be developed in commercial centres, which are appropriate and should be permitted.

The intent of a B2 - Local Centre zoning should also be explored, if the current zoning does not correspond to Avalon's vision of providing for its local resident, worker and visitor communities, another more appropriate zoning(s) should be identified.

Lastly, Avalon would benefit from a tipping point analysis study. This would explore changes to the current land use controls to incentivise redevelopment.

9. Shared space/small business start-up hub

In 2016, 694 workers or 20% of the 3,491 jobs generated in the suburbs of Avalon, Whale Beach and Palm Beach worked at home, compared to 9% of workers across the LGA. This suggests a need for more incubator spaces, expanded library services and/or shared commercial space in the Centre. This would allow these workers to interact and support one another while also increasing the activation, viability and vibrancy of the Centre. Additionally, the working from home residents may see the benefits of basing themselves in the Centre which would improve the vibrancy and night-time economy.



INTRODUCTION

1.0 INTRODUCTION

During consultation, undertaken as part of the Avalon Place Plan, the community raised several concerns regarding Avalon Town Centre. One of the key areas of concern raised by the local community related to the economic vitality and vibrancy of the local retail centre.

Particularly, many locals were concerned about the amount of vacant retail space; perceived high retail rents; seasonal fluctuations and associated impact upon business outside of peak periods; and the lack of night/evening life.

In response to these concerns by the community, HillPDA was commissioned by the Northern Beaches Council (Council) to undertake a retail analysis for Avalon Town Centre (study).

1.1 Study objectives

The objectives of the study are to:

1. Understand if the concerns of the community, economic performance and vibrancy of the Avalon Town Centre, are validated by undertaking a comparative analysis of similar centres within the Northern Beaches.
2. Understand what measures (if any) Council could implement to address the community's concerns relating to the economic performance of Avalon Town Centre.
3. Understand best practice measures used by local government authorities to improve the economic vibrancy and vitality of local centres that are appropriate to consider within Avalon Town Centre.

1.2 Study structure

To meet the requirements of the project's brief, the study has been set out as follows:

- **Chapter 2 | Avalon land use audit:** undertakes a detailed land use audit of Avalon Town Centre to understand the current mixture of uses and vacancy rate.
- **Chapter 3 | Are vacancies important, if at all?** discusses the importance of allowing for some level of vacancy and discusses what is a healthy vacancy rate for strip retailing. A discussion on factors that could increase vacancies is also provided.
- **Chapter 4 | Comparative analysis:** benchmarks various metrics of Avalon Town Centre against two similar centres in the Northern Beaches to better understand if there is any obvious economic dis/advantage for Avalon.
- **Chapter 5 | Market intelligence:** undertakes local market research with regards to the local rental market in Avalon and the comparable centres. This is achieved through a desktop analysis and informal interviews with local property representatives.
- **Chapter 6 | Key factors for retail strip centres and best practice initiatives:** undertakes a concise review of key factors that influence a centre's economic performance and provides a high-level discussion on best practices that Council could initiate or encourage to enhance the Centre's economic performance.

2.0 AVALON LAND USE AUDIT

The following Chapter provides details on the current land use in Avalon Town Centre, to its mixture and vacancy rate. A detailed land use audit was undertaken by HillPDA in June 2019 to inform this Chapter. The audit recorded all buildings and businesses within the B2 – Local Centre zoning, as such the library and public school were excluded. This audit was conducted in winter, therefore providing an assessment of the township’s vacancy rate in the off-peak season.

2.1 Avalon Town Centre floorspace provision

Avalon Town Centre provided a total of around 33,640sqm of Gross Floor Space (GFA)². Most of this space was attributed to retail uses occupying 12,750sqm GFA or 38%, residential space was the next largest land use occupying 10,120sqm GFA or 30% of the total floorspace followed by commercial uses which occupied 7,315sqm GFA or 22% of space.

Of the retail floorspace, a significant proportion (19%) was comprised of café and restaurant space. This would be expected given the Avalon’s seaside location and tourism trade. Supermarket, speciality non-food and personal services were the next largest retail categories.

The Woolworths supermarket provides a main anchor role for the Centre along with the cinema, library, public school and RSL also providing anchor roles, increasing foot traffic throughout the day and across the Centre. Overall, Avalon has an appropriate mixture space providing commercial, retail and recreation services for the resident and visitor communities.

² Gross floor area (GFA) refers to the internal floor area of a building measured from the inside of the perimeter walls and excludes vertical transport areas (lift cores and fire stairs), plant rooms, open balconies and the like. It is the same definition generally adopted in planning instruments to measure floor space ratios.

Table 1: Avalon Town Centre floorspace summary (sqm GFA) – July 2019

Category	Ground	Level 1	Level 2	Level 3	Total
Retail					
Café/restaurant	2,301	95			2,396
Clothing	1,115				1,115
Convenience store	219				219
Personal service	1,454	215			1,669
Pub/hotel	1,560				1,560
Speciality food	912				912
Speciality non-food	2,476	60			2,536
Supermarket/grocery	1,798				1,798
Take away	155				155
Wholesale	390				390
Sub-total	12,380	370			12,750
Commercial					
Commercial general	968	1,607			2,575
Financial	790	899			1,689
Government	260				260
Legal	56	290			346
Medical	771	350			1,121
Real estate	663	460			1,123
Travel agent	201				201
Sub-total	3,709	3,606			7,315
Other					
Entertainment		600			600
Recreation/fitness	200	742			942
Residential	850	5,360	3,410	500	10,120
Being renovated	50	50			100
Vacant space	1,297	517			1,814
Total	18,486	11,245	3,410	500	33,641

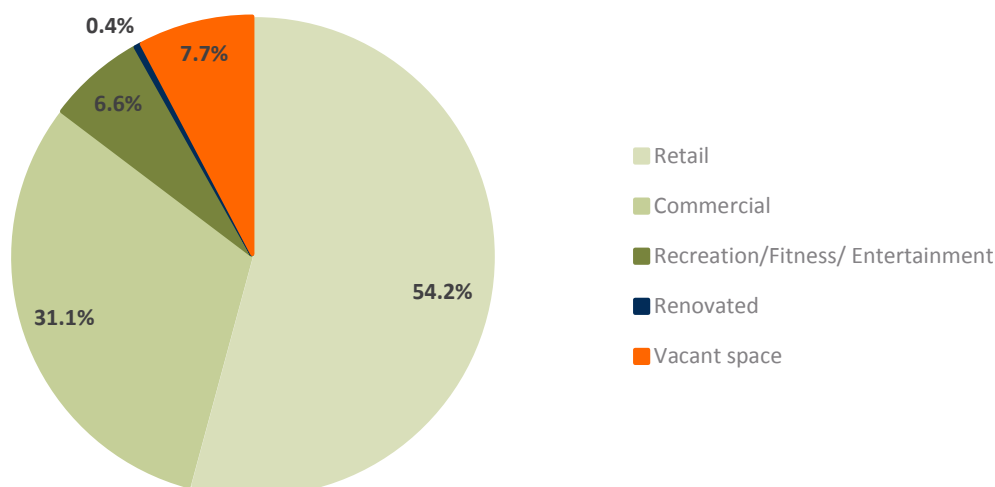
Source: HillPDA 2019 audit

2.1.1 Employment floorspace and the vacancy rate

Of the total 33,640sqm GFA of mixed-use floorspace around 23,520sqm GFA or 70% was attributed to employment generating uses. This employment space was comprised of:

- 1,798sqm GFA or 7.6% supermarket
- 10,952sqm GFA or 46.6% speciality retail
- 7,315sqm GFA or 31.1% commercial
- 1,542sqm GFA or 6.6% recreation/fitness/entertainment
- 1,814qm GFA or 7.7% vacant
- 100sqm GFA or 0.4% was being renovated.

Figure 4: Employment floorspace composition

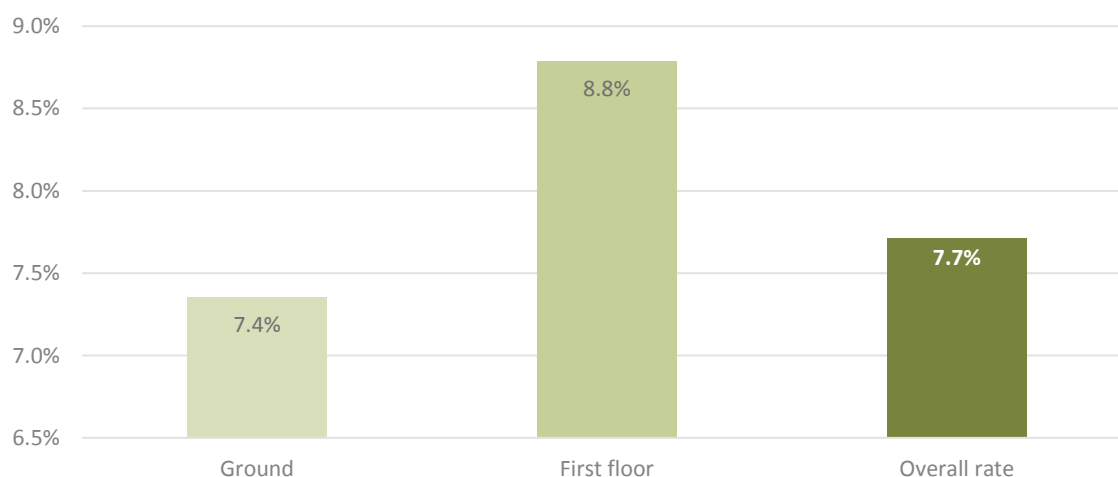


Source: HillPDA 2019 audit

The audit found that the Centre had an overall vacancy rate of 7.7%, which was slightly lower (7.4%) on the ground floor while the first floor experienced a higher vacancy rate of around 8.8%.

Lower vacancy rates on the ground floor space are typical in retail centres as this space is often more attractive and sought after, particularly by retail occupants. This is because ground floor space generally provides greater exposure to passing trade and hence is attractive to retailers. For this reason, first-floor occupants in these centres have a greater propensity to be occupied by non-retail uses, as seen in the audit results (Table 1).

Figure 5: Avalon vacancy rate by level



Source: HillPDA 2019 audit

2.2 Location of vacancies

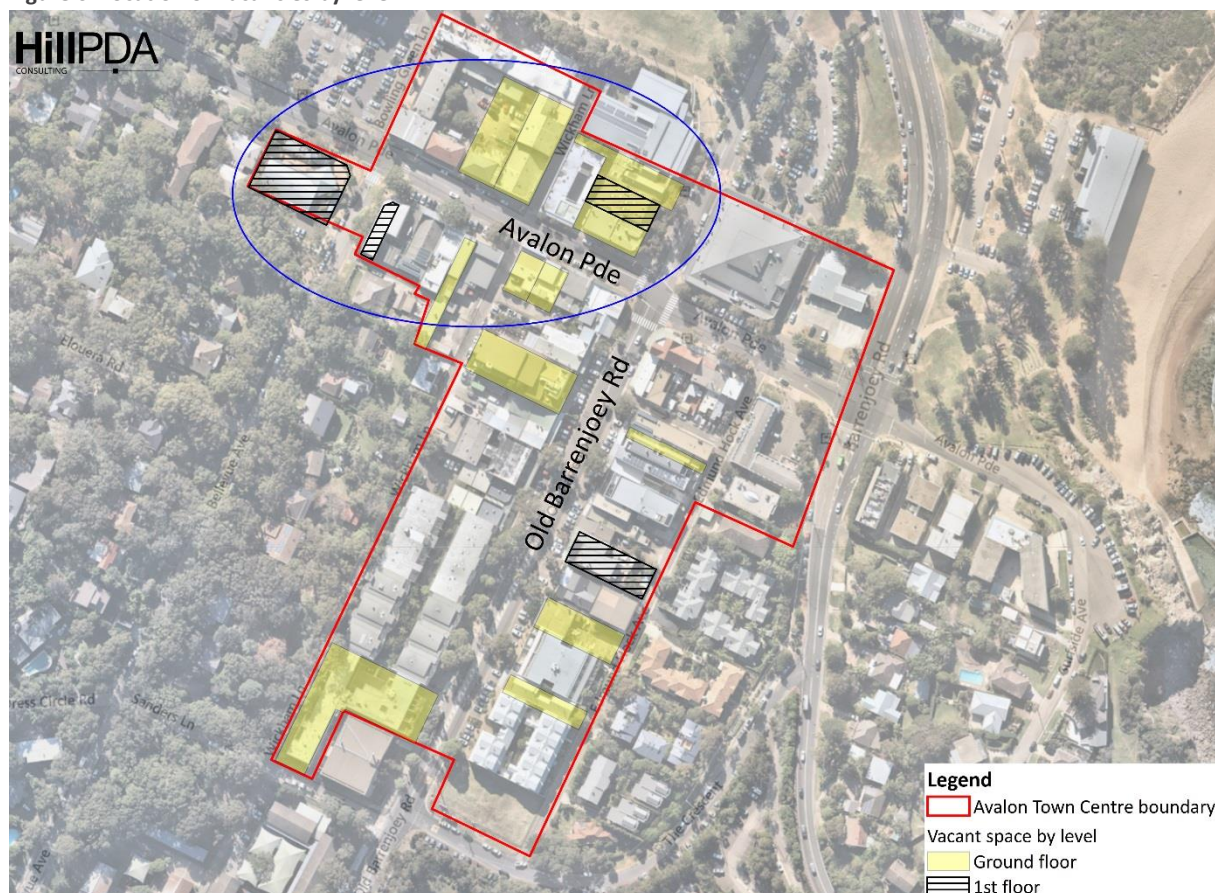
The location of vacancies is a good indicator of a centre's performance. For example, the middle of a centre is typically considered as a prime location for retailers owing to the higher foot traffic and general exposure. Therefore, a high concentration of vacancies in the middle of a centre generally indicates an underperforming centre. Whereas, vacancies dispersed throughout a centre or a higher representation on the periphery is somewhat more indicative of a centre performing normally.

Figure 6 below, highlights the location of vacant businesses within Avalon Town Centre (yellow colouring). Please note that vacancies are highlighted using the property lot boundary and hence do not represent the overall size of the vacant shop or business or the size of the lot.

Avalon has a clustering of vacant premises in the north-western corner along Avalon Parade (blue circle), with a total of around 1,125sqm GFA or 62% of the Centre's vacant space being in this section.

The location of vacant premises across Avalon is indicative of a centre that is performing adequately, that is, not underperforming.

Figure 6: Location of vacancies by level

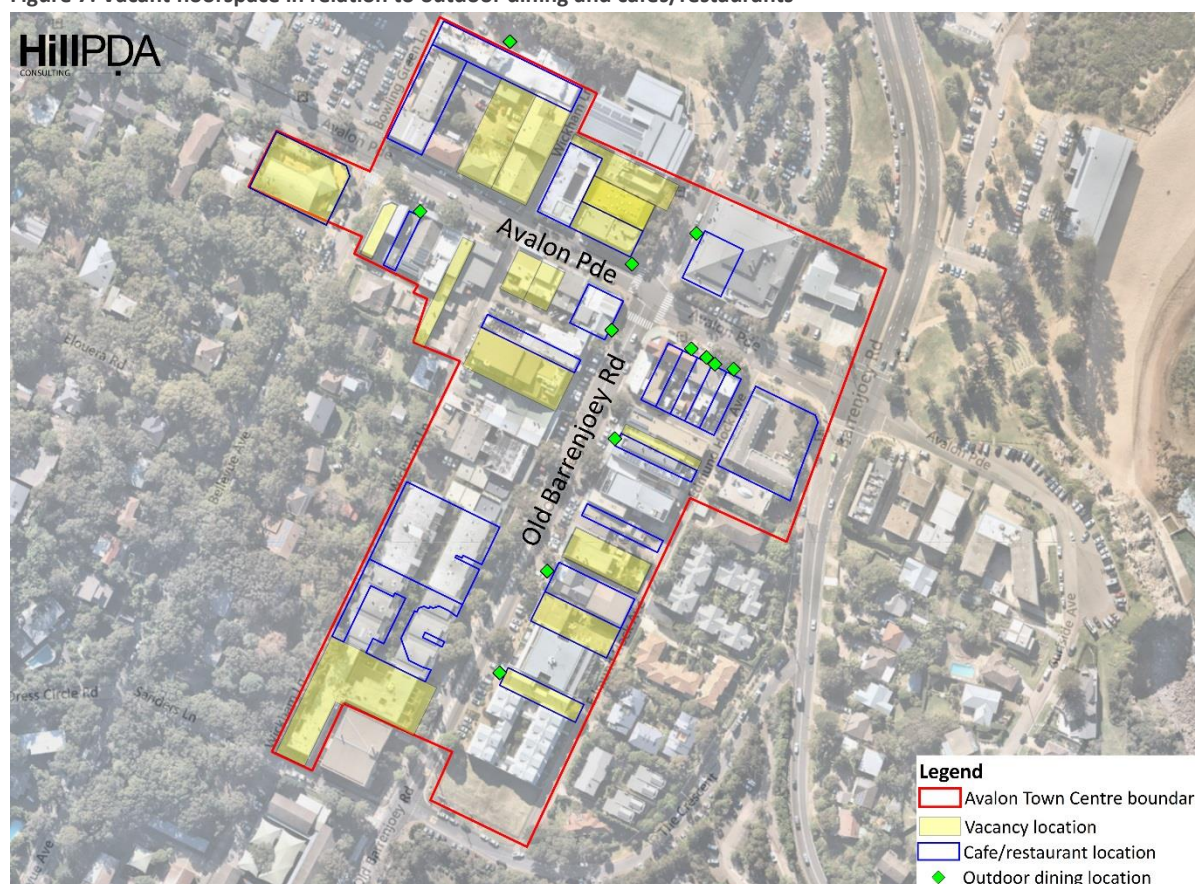


Source: HillPDA audit 2019

Figure 7 provides a closer analysis of the location of vacant floorspace in relation to observed outdoor dining locations across Avalon. This analysis reveals that compared to the rest of the Centre the north-western section, identified previously in Figure 6, has a lower concentration of outdoor dining premises.

Although not likely the only or main factor influencing the higher concentration of vacancies in this section, it does highlight the preference of where retailers prefer to be located, that is, in areas of high activation and pedestrian activity.

Figure 7: Vacant floorspace in relation to outdoor dining and cafés/restaurants



Source: HillPDA audit 2019

2.3 Avalon retail trade area

The location of Avalon Town Centre, at the entrance of a peninsular, lends to it having a Primary Trade Area (PTA) that serves the resident population of Avalon, Clareville, and Palm Beach. A Secondary Trade Area (STA) extends southward primarily into the suburbs of Bilgola, Bilgola Plateau and Scotland Island. However, the STA is limited by the presence of Newport, Mona Vale and Warriewood retail centres. Residents are the primary users of the Centre with a large population of retirees and people working from home keeping the main street active throughout the week. Avalon public school also provides an activation role for the Centre with increased activity in the morning and afternoon as parents drop off and pick up their kids. Owing to the beachside nature of the Centre, it experiences seasonal fluctuations in trade with visitors and tourists in the warmer summer months contributing to the Centre's activation, popularity, vibrancy and trade capture.

The PTA had a population of around 12,580 in 2016, and the STA had a population of around 4,390. According to the Greater Sydney Commission (GSC) there is around 2sqm of retail space per capita in the North District, which includes the Northern Beaches LGA. This is comprised of:

- Department stores - 0.16sqm per person
- Discount department store - 0.09sqm per person
- Supermarket >1,000sqm - 0.23sqm per person
- Speciality stores - 1.06sqm per person
- Large format retailing - 0.46sqm per person.

Excluding the types of retail space not found in Avalon (department, discount department stores and large format retailing) the population in these catchments would generate demand for around 21,895sqm of retail space. Not all this space would be directed towards and provided in Avalon. Assuming some high-level capture rates to the total demand generated, it is estimated that Avalon could support around 11,830sqm or 54% of the demand generated by its residential trade catchment.

Table 2: High-level retail demand assessment (GFA)

Retail category	Total demand (sqm)		High level capture rates		Captured floorspace (sqm)		Total
	PTA	STA	PTA	STA	PTA	STA	
Supermarket	2,894	1,010	70%	35%	2,026	354	2,379
Speciality store	13,337	4,656	60%	30%	8,002	1,397	9,399
Total	16,231	5,666			10,028	1,750	11,778

Source: GSC, HillPDA

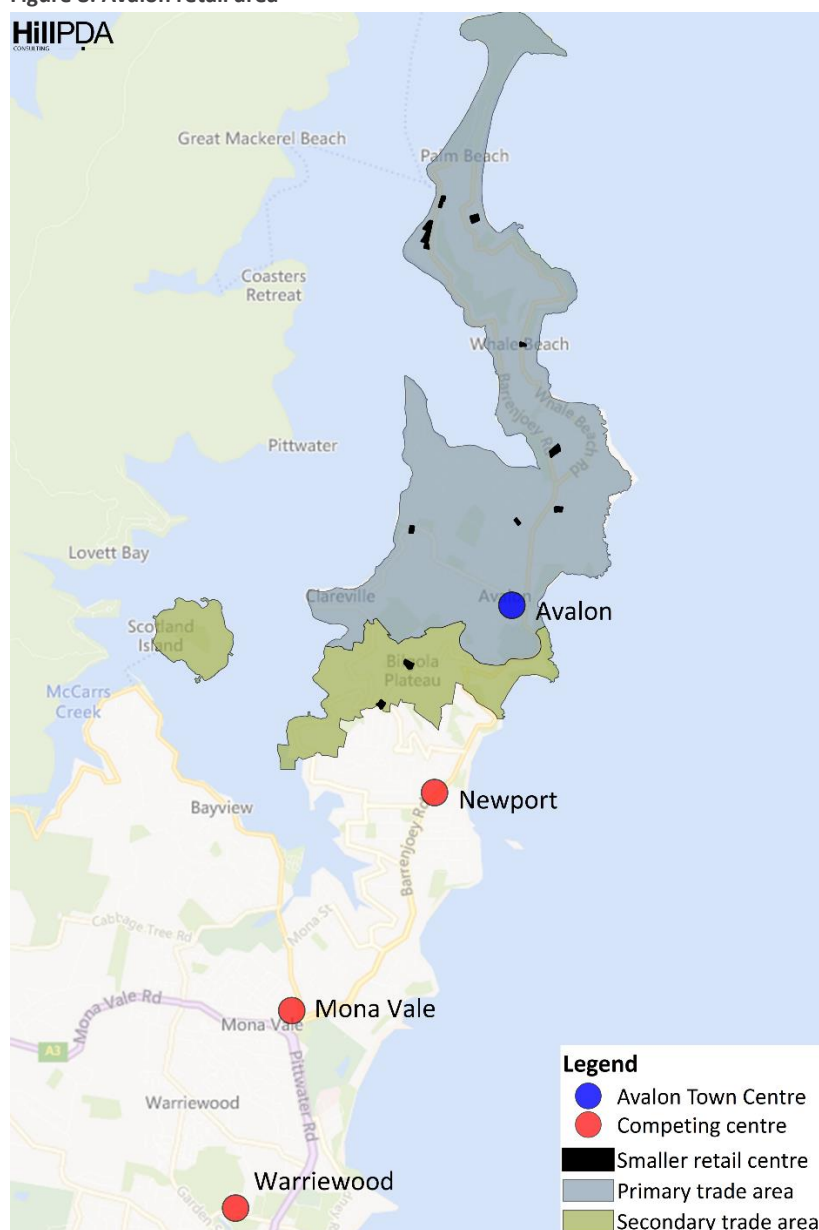
Currently, there is around 12,750sqm GFA of occupied retail space in the Centre with a further 1,297sqm GFA of vacant ground floor shop front space. This totals around 14,050sqm of potential retail space in the Centre. As such, residential demand likely accounts for around 75-85% of the Centre's trade with the remaining 15-25% coming from other sources including workers (from outside the catchment) and visitors/day tourists to the Centre.

Assuming an average retail turnover density of \$8,000 per sqm this would amount to \$17 to \$28 million per annum being derived from workers and tourist/visitors. This shows the Avalon's reliance on visitor/tourism trade.

This seasonal fluctuation in demand for space was highlighted in interviews with local agents. As such, seasonal fluctuations in trade would account for some level of vacancy in the Centre during the winter months, reducing as demand increases in the summer months.

To better understand the current and future demand for services in the Centre a detailed commercial/retail demand study could be undertaken based on business and customer surveys.

Figure 8: Avalon retail area



Source: HillPDA

2.4 Avalon retail mix

Avalon provides retail services for its local resident community, worker and visitor/tourists. As such, its retail mix should provide for both the regular and infrequent trips from these trade segments. To better understand if its retail mix is suitable, we have benchmarked it to three other seaside centres, that serve similar trade segments. These comparable towns are Narrabeen and Newport in the Northern Beaches and Kiama on the south coast. Kiama is a similar town centre to Avalon, being a seaside town anchored by one supermarket with a strong resident catchment, retiree population and strong seasonal fluctuations in trade.

As seen in the table below, Avalon's retail mixture is comparable to the other centres especially Kiama. As such, Avalon's retail mix is appropriate to serve the needs of the local resident and worker/tourist communities. Although it may benefit with a larger supermarket or some other food and grocery anchor. Demand for food and drink services is likely to fluctuate with the season.

The employment lands strategy will provide a more detailed analysis on the supply and demand requirements for the Centre. An appropriate retail mix would also be identified in this strategy.

Table 3: Retail mixture in comparable centres (occupied retail space)

Category	Avalon		Kiama		Narrabeen		Newport	
	GFA	%	GFA	%	GFA	%	GFA	%
Café/restaurant	2,396	19%	5,630	24%	1,170	19%	2,864	29%
Supermarket/grocery	1,798	14%	3,255	14%	2,080	34%	1,148	12%
Other specialties	6,996	55%	12,294	52%	2,742	45%	5,318	54%
Pub/hotel	1,560	12%	2,540	11%	103	2%	522	5%
Total	12,750	100%	23,719	100%	6,095	100%	9,852	100%
Vacancy rate	7.7%		3.2%		4.3%		16%	

Source: HillPDA

2.5 Tourism expenditure and its implications on retail demand

Expenditure from visitors and tourists is a large component of the Northern Beaches economy and a key driver of retail floorspace demand. In 2017/18 almost 4 million international and domestic visitor nights were recorded in the Northern Beaches with 62% of these being international visitors and 38% were domestic overnights. A further 1.6 million domestic one day trippers were also recorded in the year (Economy id).

In 2019, Destination NSW found that international visitors to Sydney spent on average \$123 per night, domestic overnight visitors spent \$293 per night and domestic day visitors spend \$114 per trip³. However Council in preparing its draft DMP (based on Tourism Research Australia) adopts considerably lower visitor spending levels across all categories - \$82, \$142 and \$63 per day from international overnight, domestic overnight and day trippers respectively. The estimated total spending level to the local economy from tourism is \$511 million. Around 30-40% of this expenditure is directed towards retail items⁴, equating to around \$160 to \$200 million. Assuming an average turnover density of \$8,000 per sqm then tourism expenditure generates demand for 20,000 to 25,000sqm of retail space across the LGA. This is likely to be predominantly comprised of food and grocery stores, take-away, café/restaurant and gifts/souvenir stores.

This highlights the significant contribution the tourism sector provides to the Northern Beaches economy and demand for retail services. Tourism Research Australian and Destination NSW, however, do not provide exact data for the Northern Beaches LGA or Avalon Town Centre making the exact contribution/impact that tourism expenditure plays in Avalon difficult to estimate.

Northern Beaches Council has undertaken some targeted visitor/tourist surveys to understand what drives visitation to the key tourist locations of Manly and Palm Beach. The survey collected data between fourth of January and 21 January 2019, although the exact days, weather conditions and hours surveyed are not understood, making an estimate on total visitors during the summer difficult. Of note to this study, was the 174 visitors surveyed in Palm Beach. The survey found:

- Around 61% lived in NSW, 34% were international and 5% were interstate visitors
- Around 59% travelled to Palm Beach by car
- Persons aged 20-29 years were the most common respondents (45%)
- The most common length of stay was two to four hours (48%) followed by five to seven hours (26%)
- Around six respondents stated they were also going to visit Avalon.

³ Sydney Visitor Profile, Destination NSW March 2019

⁴ Tourism Research Australia National and international visitor survey March 2019

It is recommended that Avalon be added to this annual visitor survey to better understand why people visit the Centre, type of visitor, length of stay, total retail spend and types of services they visit/spend money on. The survey should be undertaken in a way that allows an estimation on the total number of visitors to the Centre throughout the year. This data will allow a more detailed understanding on the contribution the visitor/tourism sectors makes to the Centre and the likely impact that the “low season” has upon retail demand and vacancies in the Centre.

3.0 ARE VACANCIES IMPORTANT, IF AT ALL?

The following Chapter discusses the importance of allowing for some vacant space within centres and provides a discussion on what is a healthy vacancy rate. The Chapter also discusses several factors that can influence the amount of vacant space within a centre.

3.1 Why is some level of vacancy necessary?

Allowing for some level of vacancy in a centre is a necessity as it allows for new tenants to enter the market while also allowing for existing tenants to reposition within a centre to have a better location or for changing floorspace requirements.

There is also a difference between high turnover vacancies and long-term vacancies. High turnover vacancies are shops that may have several businesses occupying them throughout the year. To a customer, it may seem that the retail strip is struggling due to the number of new tenants and the number of times it has been vacant however, the fact that these shops are continually occupied within a short period of time may indicate that the centre is performing well to meet market demand.

Long term vacancies are more indicative of a centre which is underperforming. However, as discussed later in this Chapter, landlords and developers may have other incentives to maintain a vacant premises.

Although some level vacancy is a good thing for retail centres, if too much space becomes vacant centres develop black spots (lack of activity) and thus lose their vibrancy and shoppers turn to other locations with greater choice and vibrancy. The old adage “crowds attract crowds” stands very true for retail.

3.1.1 So, is there an accepted “healthy” vacancy rate?

There are no universal rules for what a healthy vacancy rate is but our experience over the last 30 years suggests vacancy rates of 5% to 10% are reflective of a typical centre. While vacancy rates for established centres of over 15% would be considered not healthy and reflective a struggling centre.

Currently, Avalon has an overall vacancy rate of 7.7% which falls within the acceptable range. Land use audits undertaken by HillPDA of Narrabeen centre found its vacancy rate was around 4.3% while Newport’s was 16%, which is cause for concern.

Comparison to other retail strips/centres

For comparison and wider context, HillPDA recently undertook a detailed floorspace survey of all the retail centres within Hornsby LGA. While the individual vacancy rate varied across the LGA’s 31 surveyed retail centres, there was an average vacancy rate of 9.1% (excluding Hornsby Strategic Centre). This average vacancy rate was higher than that currently in Avalon Town Centre.

Furthermore, research undertaken by Ray White in 2019 found that the vacancy rate of Sydney’s Oxford Street was 8.9%, while Double Bay had a vacancy rate of 4.8%⁵. While across 11 of Melbourne’s prime retail strips there was an overall average vacancy rate of 8.6% in 2018, which was an increase of 0.6% from that recorded in 2017⁶.

Given that these vacancy rates relate to prime retail strips in inner CBD locations, Avalon’s vacancy rate of 7.7% is further considered to be reflective of a retail centre performing adequately.

⁵ Ray White Retail Survey’s April and March 2019

⁶ Knight Frank research

In October 2018, HillPDA undertook a floorspace survey of Kiama Town Centre. At the time it was found that the Centre had a vacancy rate of 4.3%. This is a few basis points lower than Avalon however, it is noted that the Kiama audit was undertaken when demand was increasing at the start of the “peak season”. Agents have identified that interest for space in Avalon experiences fluctuations depending on the time of year. As such, Avalon’s vacancy rate could fluctuate throughout the year and be comparable to that of Kiama during the summer or “peak season” months.

Furthermore, surveys of Narrabeen and Newport centres found they have current vacancy rates of between 4.3% and 16%, respectively. While the 2013 Warringah employment lands strategy identified a combined vacancy rate of around 6.9% across its smaller neighbourhood, small village and villages. The study also found that Narrabeen has a vacancy rate of 5.3%, around 1% higher than that recorded in our survey. Discussions with agents have indicated that Newport is an attractive location for tenants that are priced out of Avalon.

The Warringah employment lands strategy audit was undertaken in 2012 however, the exact month was not stated. Given that the strategy was finalised in April 2013, the audit was likely undertaken in spring or early summer of 2012, as the “peak” season picked up. As such, the overall vacancy rate is comparable to Avalon’s current rate.

In light of the above, Avalon’s current vacancy rate of 7.7% is further considered to be reflective of a retail centre performing adequately however, it is recommended that a floorspace survey undertaken in the “peak season” to better understand its fluctuations in demand and impact this has on its vacancy rate.

Table 4: Summary of vacancy rates across various centres

Retail strip	Vacancy rate	Year
Double Bay	4.8%	2019
Avalon	7.7%	2019
Oxford Street	8.9%	2019
Kiama*	3.4%	2018
Hornsby LGA**	9.1%	2019
Narrabeen	4.3%	2019
Newport	16.0%	2019
Melbourne strip retailing	8.6%	2018
Warringah LGA	6.9%	2013

Source: HillPDA, Knightfrank, Raywhite, *audit undertaken in October, **excludes Hornsby Strategic Centre

3.2 Factors that can contribute to high vacancy rates

Other than macroeconomic influences, there are several other influences that can increase the amount of vacant space within retail centres, these can include (but not limited to):

1. Vacancies can lead to more vacancies
2. Landlords unwilling to renovate or have unusable internal fit-outs
3. Impact of online retailing
4. Maintaining the balance between supply and demand
5. An inappropriate mixture of floorspace
6. The expansion of centres on the periphery through mixed-use developments
7. Impact rents have on the loan-to-value ratio (LVR)
8. Impact of rents on the capital value of a premises
9. Demolition clauses.

3.2.2 Vacancies can lead to more vacancies

Simply put, vacancies can lead to more vacancies, especially if they are in one concentrated location. If they are highly concentrated, this could lead to a particular area of a centre becoming run-down and unattractive to both customers and tenants. This will, in turn, increase vacancies as customers avoid the area and tenants either leave or chose not to locate there.

3.2.3 Landlords unwilling to renovate or have unusable internal fit-outs

Vacancies can also occur when the condition of a premises is not appropriate to the operational or desired requirements of a tenant. For example, the ceiling height could be too low, kitchen area/grease traps are not appropriate, or the interior/exterior is dated and run down. If landlords are unwilling to maintain their premises or provide an appropriate fit out for their target tenants, such as those targeting café/restaurant operators, the business/shop could remain vacant for an extended period.

3.2.4 The impact of online retailing

A major topic of debate regarding the future of retail in Australia is the continued growth of online retailing and the likely impacts this may have to 'bricks and mortar' retail stores.

The National Australia Bank (NAB) estimates Australian online spend at around \$28.5 billion over the 12 months to October 2018. This is equivalent to 9.0% of spending at traditional bricks and mortar retailers, as measured by the ABS in the 12 months to September 2018.

This online penetration rate is well below that in the USA and UK (14% and 18% respectively). However, retail analysts generally agree that this penetration rate is likely to continue to grow in the future, although there is no consensus as to the amount of growth that can be expected.

The growth of online retailing has already had an impact upon traditional "brick and mortar" retailers with Big W, David Jones and Country Road Group, among others, reducing their floorspace presence as a result of online retail sales/competition. Despite this, research has indicated that 60% of online sales captured by domestic retailers are by omni-channels players, that is, retailers who also maintain a physical store presence.

Around 95% of total Australian retail sales (\$322.5 billion) are for retailers which have physical stores⁷. This indicates that there will always be a demand for "brick and mortar" retailers as they provide a physical place for customers to try before they buy and as places for social interaction.

Online retailing can also benefit retailers in Avalon by allowing them to sell and deliver goods well beyond their traditional markets and geographic boundaries. An example of this is the growth in online food delivery services, local restaurants are now competing with other food retailers which used to be far beyond their catchment. However, these same services potentially allow Avalon restaurants to widen their customer base to increase their market share and presence as businesses downsize.

For Avalon to capitalise on this trend, there are several barriers that usually prevent some business owners from fully leveraging this virtual market to its greatest potential. These barriers could be further explored by Council or the local business chambers to increase local retailers' competitiveness, these include:

- Slow or limited internet connectivity
- Unfamiliarity with the internet or web design
- Limited warehouse and distribution space.

⁷ Australian Financial Review, Shopping patterns give hope for bricks and mortar, Nick Lenaghan 2019

The growth in online retailing will continue to impact traditional brick and mortar stores however, traditional retailing will not become obsolete. Instead, retailers will need to adapt and evolve, providing increased experience as destinations that represent a brand's story or objective⁸.

Specific to Avalon, online retailing will have a mixed impact on retailers in the Centre. For some retailers it will allow them to increase their market share, trading far beyond their traditional catchments. For these businesses, as revenue increases from online sales it may reduce their overall floorspace requirements (a smaller store is required for the same amount of revenue). Although this will likely not replace the need to have a physical presence it may increase the overall vacancy rate across the centre.

The creation of a vibrant and activated centre will be key factors in counterbalancing the impact of online retailing. Centres with these characteristics will encourage higher levels of footfall which in turn will attract and encourage businesses to locate themselves within the centre, even if they have an online presence.

3.2.5 Maintaining the balance between supply and demand

Supply and demand are important factors for any retail or commercial centre. Simply put if there is an oversupply of space then vacancy rates increase with rents correspondingly decreasing while an undersupply will tighten vacancy rates close to zero with a corresponding increase in rents to reflect the high demand.

Planning authorities play an important role ensuring that there is an appropriate supply of zoned land and capacity within the system, allowing centres to grow and cater for the surrounding community without creating an oversupply.

For example, spot rezoning for mixed-use developments which have retail shops on the ground floor and are on the periphery of centres can lead to an oversupply of retail space. This may lead to an increase in vacancies both in the core and in the periphery, decreasing the centres attractiveness to occupiers and investors which further compounds the impact.

As such, it is important that a balance is achieved to provide enough growth to meet demand over the short to medium term (say 5-10 year period) but not too much poorly located space that could undermine established centres. The employment lands study currently being undertaken by the Northern Beaches Council should appropriately plan for the provision of commercial space and land within the LGA that strategically meets current and forecast demand in an orderly and appropriately located manner.

3.2.6 Tenant mix

The tenant mix within a centre is an important factor for both customers and occupants. If a centre doesn't provide an appropriate variety of services that cater for the local catchment, customers will bypass the centre for those that do, while occupants will be more attracted to other centres, lured by higher foot traffic and vibrancy further compounding the effect.

Excluding vacant space, a general rule of thumb for a traditional local centre is a 70/30 split between shop front (ground floor) retail and other employment (commercial) floorspace. Avalon Town Centre has a 76/24 split with a slightly higher skew towards retail space (76%).

Overall the floorspace composition in Avalon, in our opinion, is typical of a local centre. Moreover, the presence of the Woolworths supermarket is a key anchor to the centre and provides a counterbalance to the Coles in Newport. The Woolworths attracts a customer base beyond the Avalon suburb which is beneficial to other retailers in the centre.

⁸ Sydney Morning Herald, Omni-channel retail the new fix for quick service, By Carolyn Cummins 2018

3.2.7 Mixed-use developments on the periphery

The recent housing boom in Sydney has seen the development of mixed-use apartment blocks on the periphery of many retail centres. Councils, wanting increased employment generation and activation, stipulated retail/commercial space on the ground floor of these developments. However, given their decentralised location, this often led to these shops being difficult to rent, with many remaining vacant for the long term.

For example, Box Hill in Melbourne has seen a significant increase in the number of low-rise mixed-use apartment buildings. Through the analysis of water metre data, Prosper Australia's research has estimated that over 35% of commercial space in this suburb is vacant⁹. Given the subdued nature of re/development in Avalon, this a trend which is not contributing or influencing the vacancy rate in the centre.

This being said, increased residential densities around centres are a key factor in increasing vibrant active centres. Additionally, residents are the primary source of retail spend and a key driver for demand.

3.2.8 Market rent, demand, owner expectations and bank valuations

Recent articles in the press have highlighted the impact that “crippling rents” have played in local centres, in reducing the ability for local businesses to remain operational. When times are good there is a demand for more retail space and if supply is limited rents increase. That rent is defined as the market rent for the area. Then when the market weakens (as is the current retail cycle for the last 5 to 8 years) demand drops and, in some cases, small shops go out of business leading to increased vacancies. Demand for retail floorspace decreases but the market rent tends not to drop as would be the case in the classical economic theory. There are several explanations as to why retail rents typically remain inflexible to market forces. These are:

1. Retail leases are fixed long term - retail rents are typically secured by long term leases (3 to 5 years) with options to extend. If an owner commits to a lower rent that rent applies to the long term. If the owner thinks the downturn is short term, they may think it is better to hold out until the right offer comes along. This is best described as landlord expectations.
2. Bank valuations are fixed to the rental return based on the capitalisation of the market rent - if a landlord accepts a long-term lower rent that is considered the new market rent and this will impact the valuation if a revaluation is conducted. Banks require valuations for commercial loans and landlords may be concerned that accepting a lower rent may jeopardise their current loan facility. Of course, failure to recognise the long-term trend in rents will result in a downgrade of the property value whether the premises is rented or not. The independent valuer will make that call. That said, there is some truth in the observation that there are some incentives for the landlord to keep a premises vacant until the right offer comes along.

In times of uncertainty, landlords may also be reluctant to upgrade their premises to meet market demand as they are uncertain about the rent they will receive to warrant the cost of upgrading. This is a double edged sword as the premises remain unattractive to new tenants as it is not designed to market expectations and thus remains vacant for a longer period. That vacancy has a knock-on effect to the nearby shops and the vibrancy of the centre is impacted.

Major centre operators are very conscious of the impact of vacancies and go to great lengths to hide vacancies behind hoardings (signs showing soon to reopen) or operate temporary stores such as pop-up shops. This strategy was applied to the Newcastle CBD with pop-up shops and artworks used to make the area attractive despite a significant level of vacancies. Council and the local chamber of commerce can provide such temporary solutions for short term vacancies to maintain amenity and attract new tenants.

⁹ ABC News, Ghost shops haunt new apartment blocks as 'perfect storm' hits suburban retailers, Daniel Ziffer June 2019

3.2.9 Demolition clauses

Demolition clauses are a lease term which gives a Landlord the authority to terminate a lease in order to take on repairs, renovations or the complete reconstruction of a leased premises. The uncertainty around the possible redevelopment of a building can lead to tenants not willing to occupy a premises, leaving the shop(s) vacant. This trend was identified in Newport by local agents, noting that some long-term vacancies were a result of development application on a building. Tenant uncertainty is a strong contributing factor to high vacancies.

4.0 COMPARATIVE CENTRE ANALYSIS

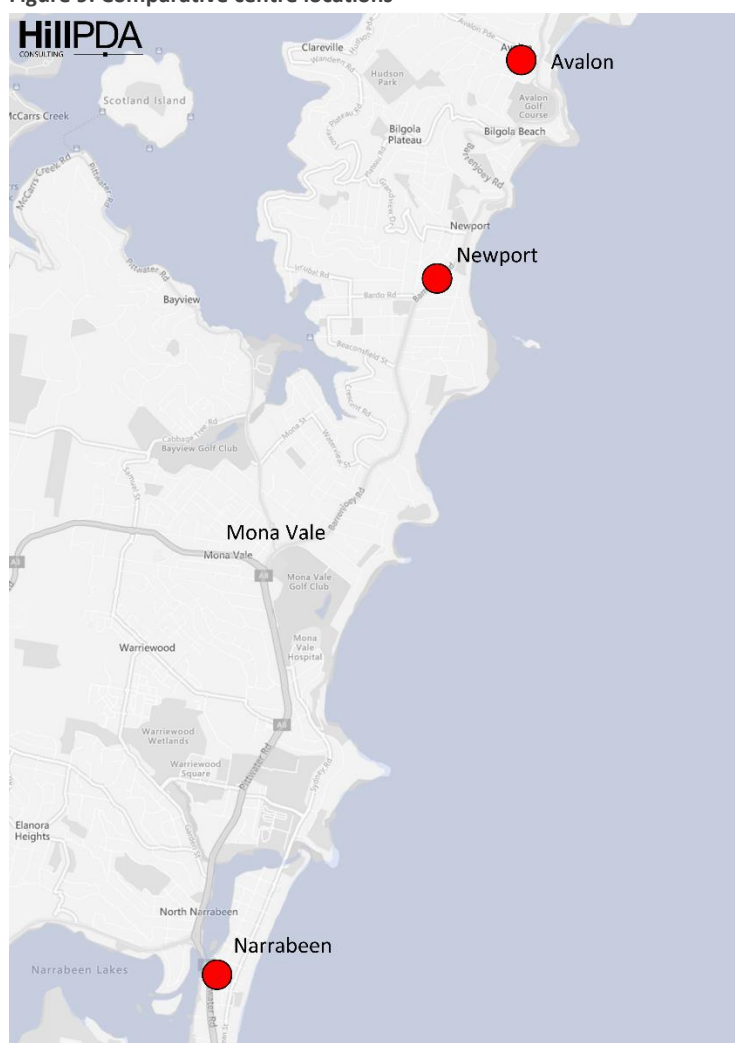
The following Chapter benchmarks various metrics of Avalon Town Centre against two comparable centres located in the Northern Beaches. This analysis has been undertaken to better understand if there is any obvious economic dis/advantage that may contribute to an underperforming Avalon Town Centre. The analysis provides a comparison snapshot in 2018/2019 only. The types of metrics analysed include:

- Floorspace composition
- Vacancy rates
- Current and forecast population growth
- Retail spend per capita levels
- Night-time economy.

The comparable centres were Newport and Narrabeen. These centres were chosen given they are beachside towns, anchored by a supermarket, predominantly provide for the surrounding resident and visitor/tourist, experience seasonal fluctuations and are located in the Northern Beaches.

The location of these centres is provided in the figure below. Please refer to Appendix B for a map of the comparable centres and detailed floorspace audit.

Figure 9: Comparative centre locations



Source: HillPDA

4.1 Floorspace provision and composition

Newport is the largest of the three centres comprising around 38,065sqm GFA of floorspace, followed by Avalon (33,640sqm GFA) and Narrabeen with 24,625sqm GFA.

However, the majority of Newport's floorspace is comprised of non-employment space such as residential uses. In terms of employment floorspace provision, Avalon is the largest centre providing around 23,520sqm GFA, followed by Newport (18,180sqm GFA) and lastly Narrabeen with around 10,050sqm GFA.

Please refer to Appendix B for a detail floorspace of the centres of Narrabeen and Newport.

Table 5: Floorspace composition by centre (sqm GFA)

Board category	Avalon	Narrabeen	Newport
Retail	12,750	6,095	9,852
Other employment*	8,857	3,523	5,425
Vacant	1,814	431	2,904
Total employment	23,521	10,049	18,182
Community	0	508	317
Residential	10,120	14,066	19,565
Total	33,641	24,623	38,063

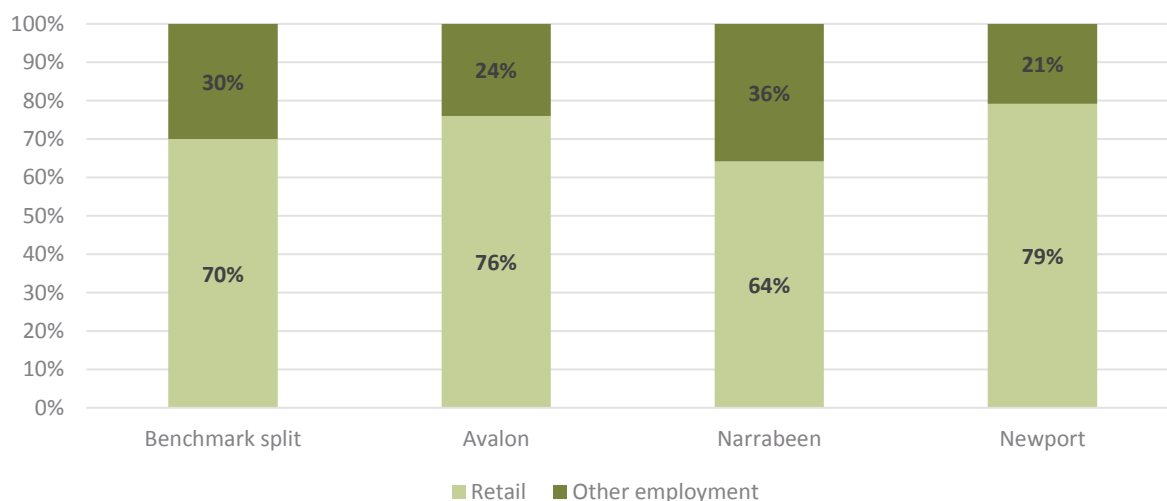
Source: HillPDA, *includes commercial, education, entertainment and recreation/fitness space

4.1.1 Occupied ground floor employment floorspace composition

As previously discussed, a healthy ratio for the composition of occupied retail and other employment space within smaller, predominate strip retailing centres, is a 70/30 split. This high-level benchmark is a good indicator to assess if a traditional retail centre has an appropriate mixture of uses to provide for the community. Please note that it only relates to occupied shop front floorspace, that is ground-level shops and not centres with a focus on commercial office or other specialities. It also excludes vacant space.

All three centres are close to this benchmark with Avalon and Newport having a higher skew towards retail provision while Narrabeen had the lowest proportion of floorspace occupied by retail uses and a corresponding propensity for shop front space to be occupied by other employment uses, such as commercial uses.

Figure 10: Occupied employment floorspace split (occupied ground floorspace)



Source: HillPDA, other employment includes commercial, education, entertainment and recreation/fitness space

4.1.2 Retail floorspace composition

Having a closer look at the composition of retail space within each centre reveals a strong focus on café/restaurant space. Given their seasonal location and focus on the visitor trade, practically during the warmer months, this would be expected. Newport however, had a significantly greater proportion of retail space occupied by such uses, compared to the other centres.

All centres are anchored by a supermarket which attracts residents to the centre and increases the potential for capture of passing trade for other retailers.

Overall, Avalon has a good balance between supermarket, speciality food and speciality non-food retailing. Newport, as discussed, is highly skewed towards café and restaurant space while it has the lowest proportion of space occupied by non-speciality retailers. Narrabeen's supermarket comprises over one-third of its retail space with clothing and speciality food stores being underrepresented by comparison to the other centres.

Table 6: Retail composition by centre

Category	Avalon	Narrabeen	Newport
Café/restaurant	18.8%	19.2%	29.1%
Clothing	8.7%	1.1%	9.8%
Convenience store	1.7%	0.0%	3.0%
Personal service	13.1%	19.3%	19.5%
Pub/hotel	12.2%	1.7%	5.3%
Speciality food	7.2%	3.4%	6.0%
Speciality non-food	22.9%	17.0%	12.5%
Supermarket/grocery	14.1%	34.1%	11.7%
Take away	1.2%	4.1%	3.1%
Total retail	12,750	6,095	9,852

Source: HillPDA

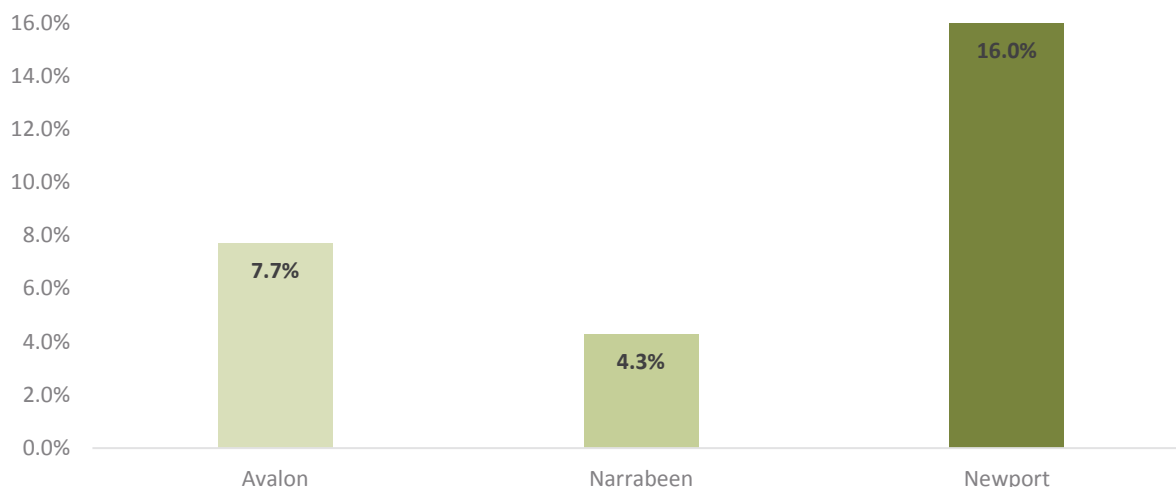
4.2 Vacancy rate comparison

Vacancy rates vary across the three centres, with Narrabeen having the lowest rate at 4.3%, followed by Avalon with 7.7%, while Newport has the highest vacancy rate at 16%. As discussed in Chapter 3, there is no universal accepted target vacancy rate for retail centres. Anecdotally, a retail vacancy rate of between 5 to 10% is considered to be reflective of a centre performing adequately. A vacancy rate under 5% is reflective of centre performing strongly while a rate exceeding 15 to 20% range is can be reflective of an underperforming centre.

Using these benchmarks, Narrabeen is performing strongly while Avalon is also performing adequately.

Newport is a centre that is underperforming, however, given the survey was undertaken in the off-peak season a follow-up survey should be undertaken in summer to assess if this is higher vacancy rate is a result of seasonal trends or reflective of a centre that is economically underperforming.

Figure 11: Overall vacancy rate comparison



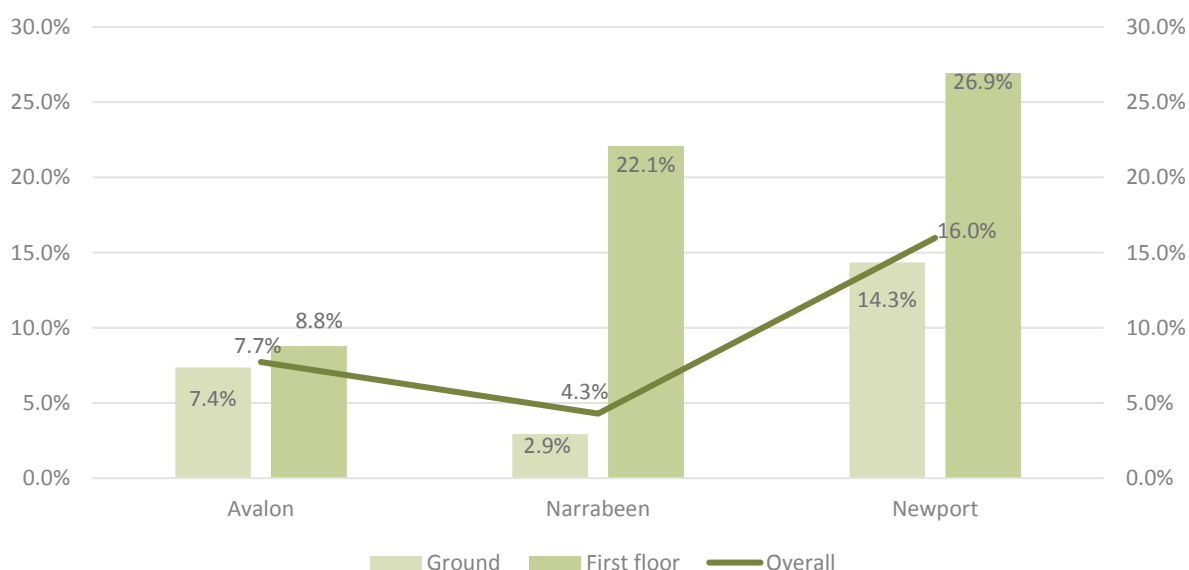
Source: HillPDA

Further analysis reveals that Avalon's ground floor and first-floor vacancy rates are similar, indicating comparable demand across the various levels. Avalon's first-floor vacancy rate was the lowest of the three centres. This further implies that the centre is performing well as the "less desirable" first-floor space is being occupied on par with the ground floor.

Narrabeen, on the other hand, has a significantly lower vacancy rate on the ground floor (2.9%) implying that this space is highly attractive. This may increase rents in the centre having adverse impacts on current and future occupants. In comparison the first-floor vacancy rate was almost eight times higher at 22.1%, implying that this space is less attractive.

Newport had the highest ground floor and first-floor vacancy rates, although its ground floor vacancy rate (14.3%) had improved when compared to the overall vacancy rate (16%). It still, however, is indicative of a centre that is underperforming by comparison to the other two centres.

Figure 12: Ground floor and first-floor vacancy rate comparison



Source: HillPDA

4.3 Resident population growth

The following assesses population growth within the area surrounding the centres. Small geographical areas used by Population.id has been used for this analysis. These geographical boundaries broadly correspond to suburb boundaries. It is noted that these areas do not constitute the full trade area(s) of these centres – however, population density immediately surrounding a centre is a key factor in successful and vibrant centres. As such, for consistency, these boundaries were used as they provide the latest population estimates at the smallest geographical boundary. The Northern Beaches employment lands strategy will likely identify and provide more detail on the total extent of these centres primary and secondary trade areas.

It is noted that these centres would have an influence or catchment that extends beyond their immediate suburb, however for the purpose of a level comparison the small geographical area that the centre is contained within has been used.

The resident population surrounding a centre is a key factor in creating sustainable and vibrant centres. Residents are a key source of revenue for retailers. Strong resident population also insulates centres against seasonal fluctuations in trade.

As seen in the table below, although Avalon population.id small area (being the suburbs of Avalon Beach and Clareville) has more residents than Narrabeen and Newport it is expected to experience a slight decline in population of around 107 by 2036. The other two centres have a smaller surrounding resident population, although both will experience some positive growth over the period.

Narrabeen is forecast to experience the greatest population growth of the three localities. This additional population will create additional sources of expenditure and demand for additional retail and other services, which in turn, will reduce the vacancy rate in the centre as it becomes more attractive to tenants.

Table 7: Population growth

Small geographic area	2018	2026	2036	Change 18-36	Compound growth
Avalon Beach - Clareville	11,227	11,052	11,120	-107	-0.1%
Narrabeen	8,833	9,777	10,516	1,683	1.0%
Newport	9,917	10,027	10,066	149	0.1%

Source: Population Id

4.4 Resident total potential retail spend

As stated above, residents are a key source of revenue for retailers with areas of higher affluence being targeted by retailers.

Currently, average retail spend across the Northern Beaches is around \$16,000 per capita. The three comparable small geographical areas are reflective of a more affluent population, indicated by their above-average retail spend levels.

Residents in the Avalon Beach – Clareville locality have the lowest average retail spend per capita rate of the three localities, however owing to its higher population it generates the greatest total amount of retail spend at around \$184 million in 2018, increasing to \$218 million in 2036.

The increase in retail spend in the Avalon Beach – Clareville locality is a result of real growth in retail expenditure per capita¹⁰ over the period and not population growth. In fact, the reduction in population will result in a net reduction of around – \$2.1 million over the period. This loss in retail trade may impact the economic viability and attractiveness of the centre, likely leading to increased vacancy rates over time.

¹⁰ We have assumed real growth in retail spend per capita of 1% per annum

In comparison, the positive population growth in Narrabeen will result in an additional \$34 million dollars in retail spend and \$3 million in Newport. This additional spend, although not 100% captured by the centres, will result in some additional expenditure directed towards them, further increasing demand and viability of businesses.

It is also noted that the centre's trade areas extend beyond their immediate suburbs, however, Bilgola is also forecast to experience negative population growth (-151 persons) with Palm Beach and Whale Beach having some growth over the period (+153 persons). This may further impact the future demand and viability in Avalon.

This analysis is intended to highlight the impact that a declining population can have on the total potential retail spend in a locality and the flow-on effects to nearby centres. This may influence Councils consideration of whether new residential housing growth should be considered in this area.

Table 8: Potential total retail expenditure

Locality	Spend per capita		Total retail spend (\$m)		Total change 18-36 (\$m)	Total change from population change (\$m)
	2018	2036*	2018	2036		
Avalon Beach - Clareville	\$16,375	\$19,586	\$184	\$218	\$34	-\$2.1
Narrabeen	\$16,724	\$20,004	\$145	\$210	\$66	\$33.7
Newport	\$16,650	\$19,916	\$162	\$200	\$38	\$3.0

Source: MarketInfo2017, *estimated at 1% per annum in retail spend

4.5 Population driven floorspace demand

Using the average retail floorspace provision per person (sqm/capita), identified by the GSC and excluding the types of retail not found in Avalon (department, discount department stores and large format retailing), the population in Avalon Beach – Clareville would demand a total of around 14,482sqm of retail floorspace in 2018. With a declining resident population, floorspace driven demand in the locality will be around 14,344sqm by 2036, representing around a 140sqm decrease over the period or around one and a half traditional retail shop fronts¹¹.

This high-level analysis is useful to show the potential impact that a reduction in the population can have upon the future demand in retail floorspace. It must also be noted, as with retail expenditure, given its location the Centre would drive some demand and spend from residents living in Whale Beach and Palm Beach. However, this would mostly be directed towards supermarket expenditure with some benefits from passing traffic and trade. The population in the suburb of Bilgola is also forecast to decline.

In comparison, the additional 1,978 residents in Narrabeen would increase the demand for retail floorspace by around 2,170sqm and residents in Newport would generate demand for an additional 192sqm.

Not all this floorspace demand would be directed and accommodated in Avalon. Some would be directed towards other and larger centres in the locality. Around 50 to 65% of this could be directed towards the centres in the locality. Likewise, there is some expenditure from beyond the trade area including 'tourists' and 'day visitors' that generate demand for floorspace, this was discussed in Section 2.5.

4.6 Night-time economy

The night-time or evening economy is an important component of a sustainable and active centre. The night-time economy generally involves social, cultural and business activities that take place from 6pm-6am. It has been estimated that the night-time economy in Australia accounts for around 17% of all establishments.

¹¹ Around 100sqm in size

Collectively, these establishments employ more than 3.1 million people and generate sales turnover of around \$661 billion, making up 26% of total employment and contributing 19% of total turnover¹².

As well as the economic contribution, a successful and vibrant night-time economy can improve social cohesion, raise a centre's profile for increased investment and reduce anti-social behaviour through increased passive surveillance.

The night-time economy is driven by three key areas of business activity, these being:

1. Food (e.g. cafés and restaurants)
2. Entertainment (e.g. clubs, sports and performing arts)
3. Drink (e.g. pubs and bars).

To assess night-time activity within the centres, a high-level analysis of the opening times for bars, cafés and restaurants within the comparable centres, using google open times, was undertaken. Venues that were open past 6pm were counted, even if for just one day in the week.

Avalon contained the greatest number of night-time venues with around 19 counted businesses remaining open past 6pm throughout the weekend. Although Newport contained the smallest amount of café/restaurant space it had the second largest number of night-time venues at around 18. While Narrabeen, although its café/restaurant total floorspace was comparable to Avalon it had the lowest number of night-time venues, at 14 businesses open past 6pm throughout the week.

Avalon also had, on average, the greatest proportion of its venues open past 9:30pm (55%), this was followed by Newport with 47% of its venues remaining open past 9:30pm. Narrabeen had the lowest proportion of its venues open past 9:30pm, with an average of 34% across the week.

This analysis highlights that Avalon has a comparatively strong night-time economy compared to the other centres. These venues increase both pedestrian and economic activity throughout the Centre contributing to its viability and attractiveness to potential tenants and investors.

Table 9: Night-time economy activity within the centres

Centre	Closing bracket	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday
Avalon	Closed	0%	0%	5%	37%	5%	0%	0%
	<6pm	0%	5%	11%	5%	0%	0%	0%
	6pm-9:30pm	37%	32%	26%	32%	42%	42%	42%
	9:30pm-12am	58%	58%	58%	26%	58%	58%	58%
	>12am	5%	5%	0%	0%	0%	0%	0%
	Total	19	19	19	19	19	19	19
Narrabeen	Closed	0%	0%	7%	29%	7%	0%	0%
	<6pm	0%	0%	7%	7%	7%	7%	7%
	6pm-9:30pm	64%	64%	57%	36%	50%	57%	57%
	9:30pm-12am	21%	21%	29%	21%	29%	29%	29%
	>12am	14%	14%	0%	7%	7%	7%	7%
	Total	14	14	14	14	14	14	14
Newport	Closed	0%	0%	11%	39%	17%	0%	0%
	<6pm	0%	6%	6%	6%	6%	6%	6%
	6pm-9:30pm	39%	33%	44%	39%	33%	44%	39%
	9:30pm-12am	61%	61%	39%	17%	44%	50%	56%
	>12am	0%	0%	0%	0%	0%	0%	0%
	Total	18	18	18	18	18	18	18

Source: Google, HillPDA, number and proportion of bars, café and restaurants open past 6pm

¹² The Australian Night Time Economy 2015, Prepared for the National Local Government Drug and Alcohol Committee 2017

4.7 Key findings of comparable analysis

The key findings of the comparable analysis are as follows:

- Avalon has the largest amount of retail and non-retail floorspace across the three centres
- Avalon library, public school and supermarket provide strong anchor roles to Avalon
- Avalon has a greater mixture across its retail floorspace
- Avalon's vacancy rate was the second highest at 7.7%, although this was half of that recorded in Narrabeen (16%) while Newport's was just under 5%
- Avalon's vacancy rate is reflective of a Centre performing adequately
- The population in Avalon's immediate surrounding is forecast to decrease, the other two centres suburbs populations are forecast to increase
- As residents are a significant source of retail expenditure for shops, generate demand for retail space and insulate against seasonal fluctuations, this could impact the future demand for retail space, available retail spend and viability of retailers
- The forecast decrease in population could result in a reduction in total resident retail spend of around \$2.1 million
- The decrease in population could result in a total net reduction in retail floorspace demand of around 140sqm – equivalent to around one and a half traditional shop front premises
- Avalon has a high night-time economy presence when compared to the other two centres. These venues increase both pedestrian and economic activity throughout the Centre contributing to its viability and attractiveness to potential tenants and investors.

Overall the comparative analysis revealed that Avalon was a Centre that was performing adequately, with a strong presence and number of anchors, healthy vacancy rate, good mixture and provision of retail space and the presence of a night-time economy. However, the forecast decrease in population in the suburbs of Avalon, Clareville and Bilgola and minimal growth in Palm Beach and Whale Beach may impact on the future viability and demand within the Centre.

5.0 MARKET INTELLIGENCE

The following Chapter provides a high-level overview of new and existing commercial and retail rents and any key findings established during the market analysis. The information was obtained through various property data sources and augmented through discussions with local agents.

We note the market evidence over the following pages is based on HillPDA's understanding of the transaction, and while we understand the facts to be generally reliable, we are unable to guarantee the accuracy. As such, the results of our analysis may change should new information come to light.

5.1 Commercial market

5.1.1 Avalon Town Centre

The commercial market in Avalon Town Centre is characterised by mainly first-floor commercial in older two-storey mixed-use buildings. The main precinct is located on both sides of Avalon Parade and Old Barrenjoey Road. Ground floor commercial is uncommon but exists on the edges of the Town Centre and within Avalon Arcade.

There has been limited development of new commercial office space given the high existing 'as is' values within the heart of the Town Centre, the low demand for first-floor commercial and better returns for retail uses. Towards the southern end of the Town Centre along Old Barrenjoey Road, the centre has seen redevelopment however, within these developments, the non-residential floorspace has been taken up by predominantly retail uses e.g. cafés and bottle shops.

The Woolworths supermarket provides the primary anchor role for the Centre with cafés and restaurants located close by yielding the highest returns. The greater distance from the main intersection where Avalon Parade meets Old Barrenjoey Road is reflective of lower prices and subdued tenant demand given decreased pedestrian foot traffic.

Discussions with local commercial leasing agents who specialise in the Avalon locality outline there has been continued leasing activity over the past 18 months with first-floor vacancies remaining relatively tight at around 8-10% (8.8%¹³). These discussions outlined the dollar per square metre rates of available and leased properties had a direct correlation to the building condition and desirability of the location.

The landowner's preference for their property and the type of return they demand has a significant bearing on the asking price, the flexibility of the asking price and ultimately how long they are happy to wait to achieve this price.

A comparison with the surrounding centres of Newport and Narrabeen highlights a 10-15% premium paid by businesses for electing to locate within Avalon. Customers go shopping at the Avalon Woolworths and then proceed to browse the various clothes, homewares and remaining shops within the Centre. The other centres don't enjoy the same pedestrian activity and they suffer from substantial traffic along roads that dissect and sever the centres.

There is a disconnect between the customers and the shops within the comparative centres that is exacerbated from the heavy car traffic flowing through the centres in peak periods. While this is seen to promote business activity and spending, Newport and Narrabeen lack the pedestrian-friendly amenity offered in Avalon's urban village.

¹³ HillPDA Avalon Town Centre Retail Analysis p32

The agents indicated if additional first-floor commercial floorspace came onto the market today, it could take up to 6 to 10 months to lease. They outlined this depends significantly on the size, shape, location, parking and asking price for space.

The information collated in Appendix A outlines the achieved and asking rates of commercial floorspace ranging from \$439/sqm NLA to \$667/sqm NLA. Discussions with listing agents revealed that incentives may be offered depending on the landowner's preference.

5.1.2 Newport Town Centre

The commercial market in Newport Town Centre is characterised by first-floor commercial in older two-storey mixed-use buildings with retail on the ground floor. Given the beachside location, there is limited commercial floorspace with no real core. The Town Centre's commercial floorspace is scattered along both sides of Barrenjoey Road with local professionals making up the largest portion of tenants.

Newport's Town Centre is similar to Avalon regarding limited development of new commercial space. Low demand for first-floor commercial, higher returns for ground-floor retail and existing 'as is' values being too high to redevelop has created this environment.

Discussions with local commercial leasing agents who specialise in the Newport locality stated there had been limited leasing activity over the past 18 months with first-floor vacancies reaching over 20% (26.9%¹⁴). These discussions outlined the dollar per square metre rates of available and leased properties had a direct correlation to the building condition and desirability of the location.

They described the current commercial market as "tough" given spending is "down" or "even negative" leading to reduced tenant enquiry. Over the Town Centre, landlords have been reducing rents between 10-20% in recent times. Reports from agents outlined some landowners in Newport have had to drop rates as high as 30-50% to lease vacant space.

The landowner's preference for their property and the type of return they demand has a significant bearing on the asking price, the flexibility of this price and ultimately how long they are happy to wait to achieve this price.

The agents indicated that if additional first-floor commercial floorspace came onto the market today, it could take up to 10 to 14 months to lease. They outlined this depends significantly on the size, shape, location, parking and asking price for space.

The information collated in Appendix A outlines the achieved and asking rates of commercial floorspace ranging from \$349 to \$500 per square metre of net leasable area (NLA)¹⁵. Discussions with listing agents revealed that incentives may be offered depending on the landowner's preference.

5.1.3 Narrabeen Town Centre

The commercial market in Narrabeen Town Centre is characterised by ground and first-floor commercial in varying quality two-storey mixed-use buildings. Given the beachside location, cafés and takeaway premises dominate the Town Centre. The Town Centre's main commercial floorspace is scattered throughout the Centre that is bound by Wellington Street to the north, Ocean Street to the east, Albert Street to the south and Pittwater Road to the west.

¹⁴ HillPDA *Avalon Town Centre Retail Analysis* p32

¹⁵ NLA is the usual measure in valuation as it refers to the area that is leased to the tenant and excludes any common areas. In Torrens titled properties NLA is usually the same as GFA but in buildings with mixed tenants and owner occupiers it is typically 80% to 90% of GFA.

Narrabeen's Town Centre is similar to both Avalon and Newport regarding limited development of new commercial space. Low demand for first-floor commercial, higher returns for ground-floor retail and existing 'as is' values too high to redevelop has created this environment.

Discussions with local commercial leasing agents who specialise in the Narrabeen locality specified there has been no real demand for commercial space over the past 18 months with first-floor vacancies hitting over 20% (22.1%¹⁶). The agents stated that difficulties have arisen from a substantial decrease in tenant enquiry for the locality.

The agents indicated that if additional first-floor commercial floorspace came onto the market today, it could take up to 8 to 14 months to lease. They outlined this depends significantly on the size, shape, location, parking and asking price for space.

The information collated in Appendix A outlines the achieved and asking rates of commercial floorspace ranging from \$300/sqm NLA to \$480/sqm NLA. Discussions with listing agents revealed that incentives may be offered depending on the landowner's preference.

5.2 Retail market

5.2.1 Avalon Town Centre

The retail market in Avalon Town Centre is characterised by ground floor street-facing shops within older two-storey mixed-use buildings. Additional retail floorspace can be found in various arcades within the Town Centre that provide internal non-street facing shops of varying degrees of quality.

Avalon Town Centre has remained unchanged over the past few years with a handful of shops being taken offline and redeveloped. The new shops have been supplied down the south end of Old Barrenjoey Road. High demand for existing retail shops along Avalon Parade and Old Barrenjoey Road have caused difficulty with the potential viability of redevelopment.

Discussions with local retail leasing agents who specialise in the Avalon locality described the market as having various levels of enquiry depending on the season, state of the market and the type of space available. Agent commentary that was verified with floorspace surveys highlights the Avalon retail market is currently performing well with ground floor vacancies at 7.4%¹⁷.

The agents described the difficulty of leasing shops within walkthrough arcades given the decreased line-of-sight and pedestrian thoroughfare.

The agents indicated that if a ground floor retail shop within the core of the Town Centre came onto the market today, it could take 3 to 9 months to lease. The agents did reveal this timing is hinged on various factors, including:

- Asking price
- Season (longer in winter months)
- Size, shape and availability of parking
- Proximity from Woolworths and intersection of Avalon Parade and Old Barrenjoey Road

The information collated in Appendix A outlines the achieved and asking rates of retail floorspace ranging from \$632/sqm NLA to \$1,073/sqm NLA. Discussions with listing agents revealed that incentives may be offered depending on the landowner's preference.

¹⁶ HillPDA Avalon Town Centre Retail Analysis p32

¹⁷ Ibid

5.2.2 Newport Town Centre

Ground floor street-facing shops characterise the retail market in Newport Town Centre within older two to three-storey mixed-use buildings. Additional retail floorspace can be found in various arcades within the Town Centre that provide internal non-street facing shops of varying degrees of quality.

Discussions with local retail leasing agents who specialise in the Newport locality described the market as having various levels of enquiry pending on the season, state of the market and the type of space available. Agent commentary that was verified with floorspace surveys highlights the Newport retail market is currently underperforming with ground floor vacancies at 14.3%¹⁸.

The agents described the difficulty of leasing shops along Barrenjoey Road given the noise generated from the traffic at various times throughout the day.

The agents indicated that if a ground floor retail shop within the core of the Town Centre came onto the market today, it could take 6 to 12 months to lease.

The information collated in Appendix A outlines the achieved and asking rates of retail floorspace ranging from \$520/sqm NLA to \$813/sqm NLA. Discussions with listing agents revealed that incentives may be offered depending on the landowner's preference.

5.2.3 Narrabeen Town Centre

The retail market in Narrabeen Town Centre is characterised by ground floor street-facing shops within older two to three-storey mixed-use buildings. Additional retail floorspace can be found on the second floor of buildings but this is uncommon.

Discussions with local retail leasing agents who specialise in the Narrabeen locality described the market as having various levels of enquiry depending on the season, state of the market and the type of space available. Agent commentary that was verified with floorspace surveys highlights the Narrabeen retail market is currently performing well with ground floor vacancies at 2.9%¹⁹.

The agents indicated that if a ground floor retail shop within the core of the Town Centre came onto the market today, it could only take 3 to 6 months to lease.

These discussions outlined the low vacancy rates are attributed to the relatively low supply of total commercial space in the Town Centre and the new Narrabeen B-Line bus stop. The additional passenger capacity and increased pedestrian demand for the B-Line station within the Town Centre has helped to improve activity.

The information collated in Appendix A outlines the achieved and asking rates of retail floorspace ranging from \$409/sqm NLA to \$938/sqm NLA. Discussions with listing agents revealed that incentives may be offered depending on the landowner's preference.

5.3 Summary of findings

A summary of the findings from the discussions with leasing agents is as follows:

- Each of the town centres have various levels of enquiry pending on the season, state of the market and the type of space available.
- Reports from agents outlined some landowners in Newport have had to drop rates as high as 30-50% to lease vacant space.

¹⁸ HillPDA Avalon Town Centre Retail Analysis p32

¹⁹ 'Ibid'

- The general slowdown of the economy mixed with decreased retail spending has led to weak conditions within various town centres along the Northern Beaches. Some town centres like Narrabeen have been able to continue to operate with a low retail vacancy rate.
- Avalon does attract higher rents given the popularity of the Town Centre during the summer months, but agents described the rates as not disproportionality higher for what is being offered. The agents described Avalon Town Centre as superior to Narrabeen and Newport with tenants happy to pay increased rents for the location.
- During the summer months tenant demand spikes with additional potential shop owners vying to start a new business only to fail in the cooler winter months. The agents described this as a common occurrence when potential business owners visit during school holidays or summer and plan to begin a new business. “The conditions during winter cause many new owners to fail given the lack of continuous income. During the week these shops are dead once the sun goes down.”
- A Woolworths has been planned within one of the proposed developments in Newport that is pushing up vacancy rates in the short-term. Multiple shops have remained vacant within Newport given the demolition clauses associated with these offerings. Potential businesses won’t move into retail/commercial space with the attached uncertainty of being removed from the premises at any time. The demolition clauses within Newport have led to a spike in vacancies above the historical average. Ultimately, an additional major shopping centre could increase associated trade within the area.
- Owners are not willing to upgrade their premises given that it is unlikely to increase rents. High vacancy rates and low consumer spending has caused stagnation within each of the markets.
- Cafés and restaurant owners generate the largest portion of tenant enquiry within each of the centres.
- Tenants usually begin their search within the Avalon Town Centre but quickly recognise the viability issues associated with the higher rents being charged. The tenants then usually work their way down the town centre hierarchy flowing from Newport to Narrabeen until they decide on the optimal location.
- There is a disconnect between the customers and the shops within the comparative centres that is exacerbated from the heavy car traffic flowing through the centres in peak periods. While this is seen to promote business activity and spending, Newport and Narrabeen lack the pedestrian-friendly amenity offered in Avalon’s urban village.
- Suggestions around focusing on revitalising Newport rather than Avalon was highlighted from the various agents. These agents provided detail surrounding the previous failed attempts at improving Avalon’s Town Centre and the disregard that has been shown towards Newport.
- Additional suggestions surrounding improvements to the streetscape through:
 - Increased development setbacks
 - Basement parking rather than at grade parking
 - Green infrastructure and landscaping
- Agents revealed the time of retail and commercial space take-up rates hinged on various factors, including:
 - Asking price
 - Season (longer in winter months)
 - Size, shape and availability of parking
 - Proximity from Woolworths and intersection of Avalon Parade and Old Barrenjoey Road
- Further discussions with local leasing agents were undertaken to understand the rate of business turnover in each centre. Given agents don’t work on every transaction within each centre and only

concentrate on their stock this was difficult to determine. However, the agents did state that turnover was generally higher in the winter months and said that the length of time of each vacancy was on a site by site basis and was different depending on the quality of floorspace, the positioning within the centre and the time of year.

- HillPDA was able to obtain general market commentary regarding the increased business turnover within Avalon and primarily Newport during the winter months. Agents outlined that new businesses would lease the space during the warmer summer months when the centres were lively and full of pedestrian activity. The business owners would then be shocked by how this liveliness would decrease significantly during the winter months impacting business revenue. When the agents were asked about specific time periods of turnover the agents suggested new businesses were failing within the first six to eighteen months.
- The turnover rates in Narrabeen were considered quite low given the older longer-term tenancies (three to five years running) within the Centre. Avalon and Newport also had various longer-term tenancies like bottle shops and specific long-running cafés, but they experienced quicker business turnover within the Centre overall, reflective of the higher vacancy rates.
- Business turnover for first-floor commercial space within all three centres (Avalon, Newport and Narrabeen) was outlined as remaining quite constant. There is a general lack of activity within the first-floor commercial market with low demand across the three centres. Variances of the turnover rates between centres changed significantly with Avalon having a slower turnover rate, followed by Narrabeen and Newport which experienced much quicker turnover rates. Agents from the local area indicated that roughly the commercial turnover rates for each centre were:
 - Avalon: two to three years and beyond
 - Narrabeen: twelve to eighteen months
 - Newport: twelve to eighteen months

Avalon Town Centre

- A 10-15% premium is paid for Avalon given the fruitful variance in retail offering and pleasant Town Centre appeal.
- Customers go shopping at the Avalon Woolworths and then proceed to browse the various clothes, homewares and remaining shops within the Centre.
- Avalon's Town Centre has remained unchanged over the past few years with a handful of shops being taken offline and redeveloped. The new shops have been supplied down the south end of Old Barrenjoey Road.
- High demand (equating to an increased market value of land) for existing retail shops along the Avalon Parade and Old Barrenjoey Road have caused difficulty with the potential viability of redevelopment.
- Avalon agents outlined there has been continued leasing activity over the past 18 months with first-floor vacancies remaining relatively tight at around 8-10% (8.8%²⁰)
- The Avalon retail market is currently performing well with ground floor vacancies at 7.4%²¹.

Newport Town Centre

- The agents described the difficulty of leasing shops along Barrenjoey Road in Newport given the noise generated from the traffic at various times throughout the day.

²⁰ HillPDA Avalon Town Centre Retail Analysis p32

²¹ Ibid

- They described the current commercial market as “tough” given spending is “down” or “even negative” leading to reduced tenant enquiry. Landlords have been reducing rents between 10-20% in recent times.
- Business owners in the Town Centre said it has been “dead” with little to no customers during the week. Some owners even said they would not have survived if the landowner didn’t drop the rents.
- Newport agents stated there has been limited leasing activity over the past 18 months with first-floor vacancies reaching over 20% (26.9%²²).
- The Newport retail market is currently underperforming with ground floor vacancies at 14.3%²³.

Narrabeen Town Centre

- Narrabeen’s Town Centre is similar to both Avalon and Newport regarding limited development of new commercial space over the past ten years. Low demand for first-floor commercial, higher returns for ground-floor retail and existing ‘as is’ values too high to redevelop has created this environment.
- Narrabeen agents described the market as having various levels of enquiry pending on the season, state of the market and the type of space available.
- Narrabeen agents specified there has been no real demand for commercial space over the past 18 months with first-floor vacancies hitting over 20% (22.1%²⁴).
- The Narrabeen retail market is currently performing well with ground floor vacancies at 2.9%²⁵.

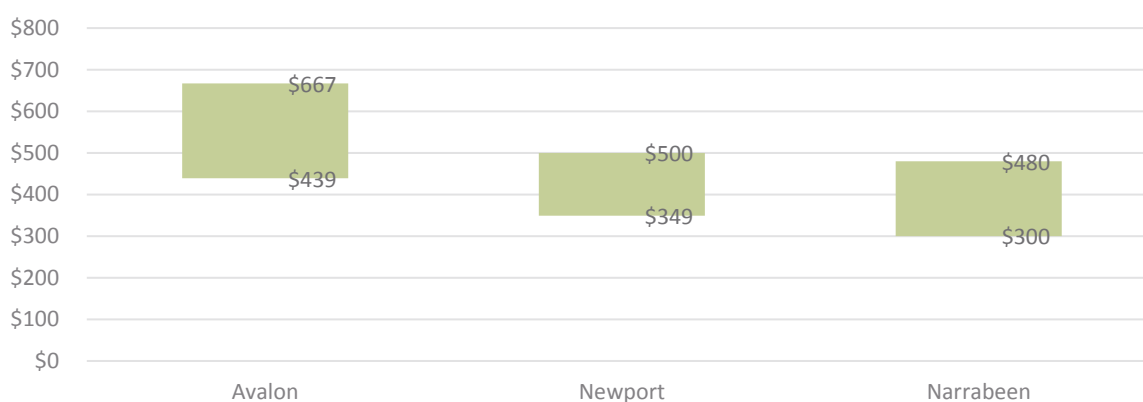
Commercial leasing comparison

A comparison of the commercial leasing evidence gathered during this study shows that the Avalon Town Centre yields higher rates than the comparable suburbs.

The suburbs of Newport and Narrabeen were selected given they are anchored by a supermarket, predominantly provide for the surrounding residential community, experience seasonal fluctuations in trade and are in the Northern Beaches with proximity to the coastline.

An analysis of the \$/sqm rates for achieved and asking rates highlights Newport and Narrabeen achieve similar rates between \$300/sqm NLA to \$500/sqm NLA while Avalon achieves slightly higher rates at \$450/sqm NLA to \$650/sqm NLA.

Figure 13: Commercial leasing range for northern beaches town centres



Source: HillPDA 2019

²² HillPDA Avalon Town Centre Retail Analysis p32

²³ Ibid

²⁴ Ibid

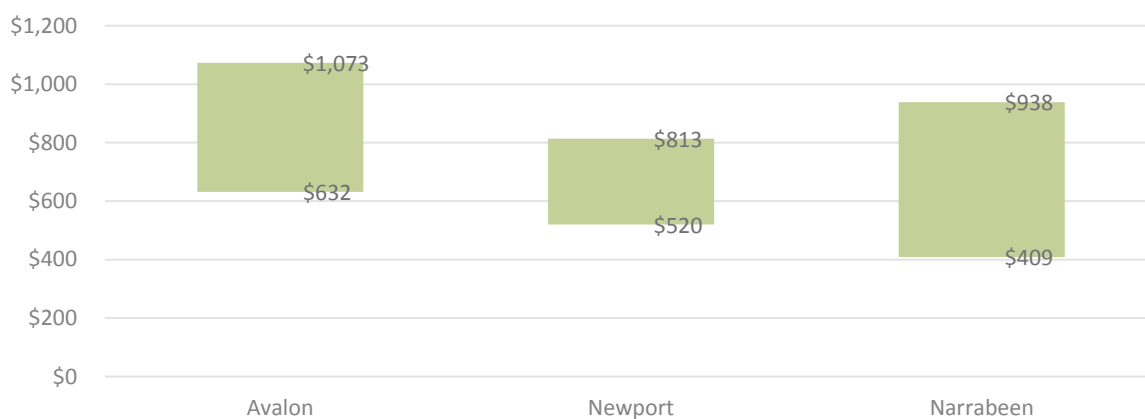
²⁵ Ibid

Retail leasing comparison

A comparison of the retail leasing evidence gathered during this study shows the Avalon Town Centre yields slightly higher rates than Narrabeen and substantially higher than Newport.

An analysis of the \$/sqm rates for achieved and asking rates highlights Newport and Narrabeen achieve similar rates between \$400/sqm NLA to \$800/sqm NLA while Avalon achieves slightly higher rates at \$650/sqm NLA to \$1,000/sqm NLA. This wide differential between rates is attributed to the significant premium a retail shop yields given a corner location along a busy pedestrian intersection.

Figure 14: Retail leasing range for northern beaches town centres



Source: HillPDA 2019

6.0 KEY FACTORS FOR RETAIL STRIP CENTRES & BEST PRACTICE INITIATIVES

The following Chapter undertakes a concise review of key factors that contribute to a successful strip retailing or the economic performance of the Centre. The Chapter also provides a high-level discussion on best practices that Council could initiate or encourage to enhance the Centre's economic performance.

6.1 Key factors that contribute to successful strip retailing

There are several key factors that contribute to successful retail strips, some of these include:

1. Density within a walkable catchment

Centre performance is intrinsically linked to the density within the trade catchment. Increasing the residential and commercial density of the walkable catchment can enhance the vitality of retail and reduces the reliance on private vehicle trips. A balance of both retail/commercial and residential within the catchment can extend centre activation both during the day and in the evening.

Residents are also the predominant source of expenditure for centres and demand for additional services. A strong residential catchment also insulates centres that experience seasonal fluctuations in trade.

1. Limiting fragmentation through improved circulation and wayfinding

Shoppers rarely deviate from their usual shopping habits and established routes, while those that do are often surprised by what they find approaching different stores that they find or different atmosphere provided by secondary streets. As such, stimulating customer circulation through quieter areas can turn retail cold-spots into hot-spots. This can be done with the hosting of special mini-events, better signage (including an app on your mobile), better communication with street signage, social media and traditional advertising.

2. Improved street frontages

Improving retail shopfronts creates active frontages and enhances a centres vibrancy and presentation which benefits the economic viability of existing retailers while also attracting new tenants. Research from the USA found that:

- 70% of first-time sales at cafés, restaurants, retail shops and attractions can come from street appeal
- 70% of businesses reported an increase in sales after making façade improvements
- 100% of businesses experienced favourable customer response and considered the improvements worth the investment.

3. Active, vibrant streets

Active street frontages can increase the perceived vibrancy of a centre and optimise surveillance. Where commercial floorspace is over-delivered, however, tenancies can be left vacant, having the opposite effect.

An active and vibrant centre is also a key consideration for retailers looking to locate to an area while it also attracts other potential customers increasing passing trade opportunities for existing retailers. Outdoor dining, wide footpaths, street furniture and public art can create street appeal increasing activation and vibrancy.

4. Anchors/attractor in key locations to encourage visitation and circulation

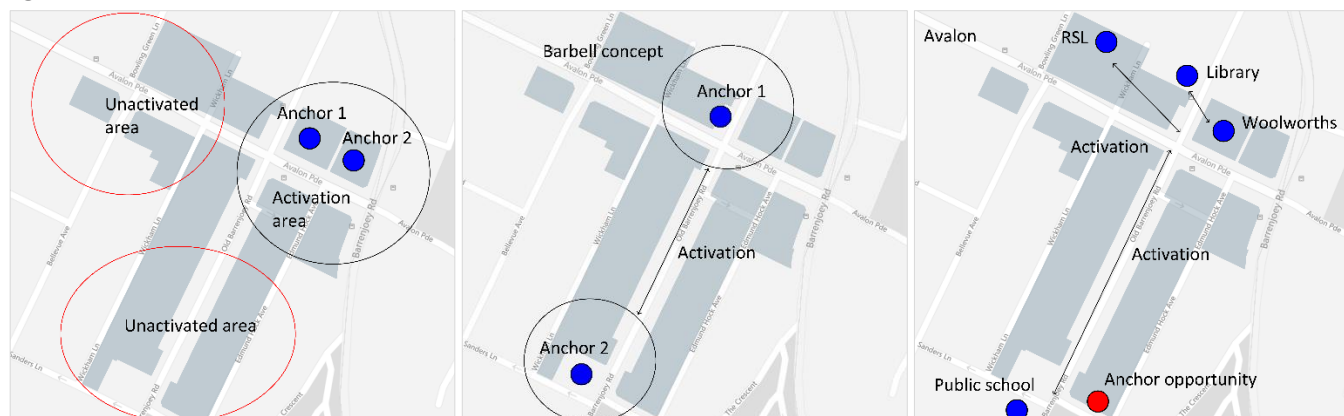
The location of anchor stores or other key attractors to a centre is an important factor to improve circulation and activity throughout a centre. For example, the location of two large supermarkets next to one another at one end of a centre would active this one side and not encourage the movement customers to retailers

on the opposite side. This would likely lead to the opposite side of the centre being less activated with higher vacancies.

It is more beneficial for anchors and other key attractors to be spread throughout a centre to encourage movement and activation across the centre. For example, the old “barbell” concept is often sighted where two anchors (such as two supermarkets) are located on each side of a centre with the theory that this encourages activation movement throughout and between the two anchors.

Avalon has a good number of anchor/attractors to the centre which are spread throughout, these include the public school, library, RSL and Woolworths supermarket. The dispersed nature of these attractors encourages movement throughout the centre encouraging activation throughout the day. There is an opportunity for an additional anchor store such as a Harris Farm or smaller supermarket (depending on demand) on a site which is currently vacant along The Crescent. We note that this is private land and hence Council does not have direct influence over what type of uses are contained in any future complying development. Nevertheless, it highlights the potential benefits of a possible or similar outcome to the centre.

Figure 15: Position of anchor/attractors and activation of a centre



Source: HillPDA

5. Branding or creating an identity for a centre

Creating a unique branding or identity of a centre can give customers confidence that they will have a good experience each time they visit. An identity can be formed from a historical standpoint, unique local produce or through the collection/clustering of particular shops/bands such as a premier clothing destination or the café/fine dining culture. A centre’s brand or identity should be uniformly used and promoted both in its marketing and signage and during events.

6. Activation of a centre through events

Events such as cinema nights, markets or food festivals are a useful tool to promote a centre to a wider catchment, create activity and insulate retailers during off-peak periods. An example of this is Manly Town Centre which, among other events, provides local markets, Manly Market Lane Live, Taste of Manly, Manly Fun Run and Manly Jazz festivals. These events are attracting people to Manly throughout the year including autumn and winter. While Mona Vale holds a Mona Vale Market Day and the Aussie Night Markets each once a month between May and December.

Although Avalon does have the Avalon Market Day on the third Saturday of each November, there is an opportunity to increase the number and diversity of events within Avalon to increase awareness and activation.

7. Maintaining a clean and safe environment

Providing a clean and safe environment for shoppers, workers and visitors is a basic expectation and encourages shoppers to stay longer increasing the opportunity for further capture of trade. On the other hand, if a centre is unclean or has safety issues, real or perceived, shoppers will avoid the centre or limit their time there.

Regular street cleaning, lighting, visible surveillance systems, slower street speeds and police presence can all improve a centres environment and encourage more frequent visitation and extending length of stays.

8. Night-time economy

A vibrant night-time economy increases a centre's activation, trading hours and overall economic performance. As well as the economic contribution, a successful and vibrant night-time economy can improve social cohesion, raise a centre's profile for increased investment and reduce anti-social behaviour through increased passive surveillance. The creation of a safe environment, discussed previously, high amenity and encouraging outdoor dining options are key factors in creating a strong night-time economy. Other businesses would also benefit from increased trading hours and pedestrian traffic.

9. Organised management of the public realm

Organised management of centres is an important tool in improving the visitor environment, shopper experience and market the centre to attract more customers which, in turn, increases activation, potential capture of trade and the overall economic viability of a centre. It is noted that Avalon has the Avalon Palm Beach Businesses Chambers which would undertake this role.

10. A balanced mixture of shops

The mixture and balance of shops within a centre is an important factor for both customers and occupants. If a centre doesn't provide an appropriate variety of services that cater for the local catchment, customers will bypass the centre for those that do, while occupants will be more attracted other centre lured by higher foot traffic and vibrancy - further compounding the effect. The mix of shops is easy for centres operated by one owner. In centres with mixed ownership it is more difficult as the tenancy type is not controlled by zoning. That said anchors such as a supermarket or a new community facility can be negotiated through a planning proposal if the opportunity lends itself. This is something Council can consider for future development. Council could itself become an investor in the centre as a commercial proposition as well as a centre benefactor by developing a mix of uses seen as the catalyst for centre redevelopment.

11. High-quality urban realm and uniform building design

High-quality street and building design are an important factor increasing an attractive image for a centre. This may include quality paving, planter boxes, public art, street furniture, maintaining active street frontages, continuous awnings and maintaining painting/building presentation.

The local character and amenity of a place can affect the enjoyment and desirability of the environment, visitation numbers and trends, and consequently the economic activity of a commercial centre and the businesses located there.

12. Adequate and diversity of parking arrangements

Providing adequate and diverse parking arrangements, that is, providing a balance between long term and short-term parking throughout a centre is important. This ensures a high turnover of customers while also providing opportunity for longer-term stays for both customers and workers.

Short term parking is ideally located directly outside of retail shops along the main street while longer-term parking is more appropriately located on the periphery or just off the main road in at parking on grade or multi-story stations.

Avalon has a good availability of parking options from one to two-hour on-street parking along Old Barrenjoey Road, Bellevue Avenue, and Avalon Parade to two-plus hours in its two car parks.

13. Creation of unique precincts or clusters of shops

The clustering of shops in one location can help create special precincts within a centre and contribute to it having an identity or branding. An example of this is the creation of eat streets or fashion precincts, concentrating stores like this creates destinations within the centre and provides choice and convenience to shoppers.

The amount of clothing space and businesses in Avalon could provide the opportunity for a clothing precinct while the potential redevelopment opportunities along various laneways (such as Simmonds or Wickham Lane) provides the opportunity for the development of an eat street(s).

Council and local Business Chambers can be champions in promoting this identity. This may start with a street fashion show being supported by activities to draw crowds and local shoppers to display their wares. In time this can be a regular event coupled with other creative activities to match Avalon's unique image as possibly "the Monterey" of the East Coast of Australia with its blend of surf, art and new wave wellbeing culture.

14. Provision of community facilities

The adequate provision of community facilities can contribute significantly to improving the lives of residents, workers, and visitors to a centre. Community facilities are uniquely placed to play a strong role in a centre, acting as intergenerational facilities to encourage interaction and enhanced community cohesion or providing for the day to day needs of a local community.

Community activities can be extended to events like dance and talent shows (Avalon has Talent) which not only draw local crowds but extended family and friends to boost the night-time economy and add some uniqueness to this centre.

15. Servicing and delivery

Servicing and delivery are imperative to the daily operation of some businesses. Ensuring the efficiency of services and deliveries is retained and is in a location that reduces impacts to the public realm is important. This includes pedestrian movement and access to parking entry and egress.

6.2 Avalon Town Centre SWOT analysis

Having regard to the above key factors that contribute to successful retail strips and our consultation and site visits, the following strengths, weaknesses, opportunities, and threats have been identified for Avalon Town Centre.

Table 10: Avalon Town Centre SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ■ Positioned as the last large centre at the entrance of a peninsula increases its trade catchment ■ Highly affluent surrounding population ■ Strong community identity ■ Number and position of anchors/attractors to the centre ■ High diversity of parking arrangements across the centre ■ Proximity to natural assets and open space ■ A good mixture of retail and commercial services ■ Presence of a Woolworths supermarket ■ Choice in outdoor dining options ■ Active streets throughout the day ■ Presence of a night-time economy 	<ul style="list-style-type: none"> ■ Forecasted population decline or weak growth in surrounding trade catchments ■ Fragmented ownership and small lots may reduce redevelopment opportunities ■ Undergoes seasonal fluctuations in trade ■ Some premises are somewhat dated requiring redevelopment or investment
Opportunities	Threats
<ul style="list-style-type: none"> ■ Development of an eat street or other precincts ■ Development of another anchor/attractor near the public school to encourage activation and circulation ■ Potential higher density mixed-use redevelopment within existing B2 – Local Centre zoning ■ Providing additional events during the day and evening 	<ul style="list-style-type: none"> ■ Declining or weak forecast population growth in the surrounding catchment ■ The impact from online retailing and need to shift the retail offer more to services than goods.

6.3 Best practice initiatives

The following provides a concise discussion/documentation on best practices that are suitable for Avalon and which Council has the greatest ability to influence.

These best practices have been tailored to address the concerns raised by the community during the consultation. A summary of key concerns/opportunities raised by the community during consultation has been provided below.

Table 11: Key community concerns/opportunities from consultation

Rents and vacancies	Housing and development	Other issues/opportunities
<ul style="list-style-type: none"> ■ Rents are too high ■ Landlords want too much rent – forcing retailers out ■ Lots of empty/vacant businesses ■ Seasonal fluctuations in trade ■ Shops keep closing ■ Pop up shops could be encouraged ■ Use vacancies for pop up shops ■ Businesses leaving the centre ■ Long term business leaving due to high rents 	<ul style="list-style-type: none"> ■ Increased lower-cost housing for younger residents ■ Concerns about overdevelopment ■ Keep development under control ■ Unaffordability for younger people ■ Cheaper accommodation especially for families 	<ul style="list-style-type: none"> ■ Hard for start ups ■ To many cafés in the centre ■ Limited retail offering, need increased diversity ■ Lack of night-time activity ■ Continuation of the cinema is important to the community ■ Urban design and public art ■ More cafés ■ Increase opening hours ■ More events ■ Shops furthest away from Woolworth's car park will have fewer customers ■ Open shops onto the footpath ■ More markets ■ No high rise or commercial buildings ■ More restaurants

HillPDA worked with Woollahra Council and Double Bay Chamber of Commerce some years ago when shop vacancies increased in that centre when the local cinema closed and competition from the newly opened Westfields Bondi threatened to take market share. The response was a combination of actions including:

- Local street beautification partly funded by Council and partly through shop owners
- The attraction of an expanded fresh food offer and parking (Kiaroa Lane Redevelopment)
- Redevelopment of the Cross Street Council carpark to include a new cinema and community activities
- Retailer funded advertising campaign
- Expansion of shop top housing in the centre through an increase in the height limits with safeguards to retain street-front retailing and reinstating the first-level commercial in central locations.

Considering the above community comments, analysis of key factors influencing successful retail strips and our previous experience, the following best practice initiatives that Council could initiate to address any community concerns while also helping create a more vibrant and economically sustainable centre are:

1. Activate the centre through special events

Avalon currently holds the Avalon Market Day on the third Saturday of each November, however, there is an opportunity to increase the number and diversity of events within Avalon to increase awareness and activation.

For example, an evening cinema event could be organised in collaboration with the Avalon Palm Beach Business Chambers and United Cinemas Avalon. The event could be held directly outside the existing Cinemas, in one of the open car parks or nearby green spaces. The event would be more beneficial if it was in proximity to the Centre with strong links to existing retailers. Other events include a special designer fashion week, a food festival and a local arts event.

Other initiatives could include a “living lab” where new ideas for innovation are trialled with shoppers. This might include new ways for mobility; 5G WiFi or see art installations using 3D technology. This is something being done in the Melbourne Innovation District and planned potential for Camperdown and Ultimo by the City of Sydney.

Councils that hold such events include Strathfield, Inner West, Gladstone Regional Council and Gympie Regional Council.

2. Improved street frontage program

Council could implement an active retail frontage improvement program, like that initiated by Parramatta City Council.

In 2017/2018 Parramatta City Council initiated its Church Street Retail Frontage Improvement Program. The program's objectives were:

- *To assist commercial property owners to enhance the visual appearance and quality of their building façade, shopfront, and awning.*
- *To support the growing demand for quality retail and dining experiences within the Parramatta CBD.*
- *To inspire both property owners and business operators to create high-quality façades and shopfronts, which, in turn, encourages people to live, work, and do business in our city.*
- *To assist businesses to maintain a high level of commercial and retail activity during a period of large-scale residential and infrastructure development nearby.*
- *To support and reinvigorate the existing heritage characteristics along the Church Street corridor.*

To assist business owners the program offered eligible applicants a rebate of up to 30% of façade, awning and shopfront improvement costs to a maximum of \$20,000. Eligible works included:

- Painting of building façade, windows and awnings (colour to be in accordance with the Council's prescribed palette)
- Cleaning of building façade above the awnings
- Rationalisation or removal of signage either through repainting or physical removal
- Removal of redundant air conditioning units
- Removal of roller shutters or security grilles
- Recladding of an existing awning structure
- Installation of a disabled access ramp.

A similar program could be trialled in Avalon to improve locations of less active or run-down street frontages.

3. Create activity cluster(s) such as an "Eat Street"

The amount of clothing space and businesses in Avalon could provide the opportunity for a clothing precinct while the potential redevelopment opportunities along various laneways (such as Simmonds or Wickham Lane) provides the opportunity for the development of an eat street(s).

This concept currently being explored by Glen Eira Council in the town of Bentleigh, Victoria. In the development of the Bentleigh Structure Plan 2018-2031, the community showed strong support for an Eat Street, with suggestions of the area being activated, more passive community spaces to sit, rest and gather and expressed that it would create a 'heart' which the Centre currently doesn't have.

Council states it is envisaged that the Eat Street would be an inviting green space with large canopy trees, outdoor seating and activated by cafes, restaurants and bars, with increased trading hours. The vision is for Eat Street to grow upon the emerging cafe and restaurant culture in Bentleigh, which in turn supports an increased retail presence.

The Avalon Place Plan could identify a possible "eat street" location(s) in the Centre with revised planning controls to encourage activation or a no-charge outdoor dining zone being identified in this area.

4. Increase density within a walkable catchment

Encouraging a balance of commercial and residential densities in and around a centre can enhance activation both during the day and night. Currently, the population surrounding Avalon is forecast to decrease over the next

20 years. This, in turn, will have implications on the amount of retail expenditure and floorspace demanded from its residential catchment (refer to Chapter 4). It is noted that shop top housing is allowed within the Centre, however, the fragmented land ownership and generally smaller width lots sizes require the amalgamation of lots to produce development block suitable for residential development with the Australian Design Guidelines being a significant inhibitor for small lots. The lack of current development would infer redevelopment is not feasible and potential increased heights/FSR is required to make land acquisitions for redevelopment feasible. It is recommended that a feasibility tipping point study, on a number of key sites, be undertaken to assess at what point development becomes viable in the Centre.

Redevelopment within the Centre, including shop top housing, would:

- Provide new retail/commercial space increasing the attractiveness of the Centre to potential occupiers
- Increase surrounding residential densities as well as the positive economic flow-on effects associated with an increasing residential population.

5. Encourage pop-up shops to reduce vacancies/create opportunities for local businesses

Pop-up shops can help revitalise a Centre helping to lower overall vacancies and restore an area to be a consumer-friendly and economical again. Council could subsidize part of the rent for pop-up shop operators over a short period or work with business owners, where they provide their premises for short term (1 to 12 months) until a permanent lease is attained.

In 2008 the Renew Newcastle project was started and aimed to address the high number of vacant spaces and unaffordability issues in the CBD. By the end of the first year over 40 pop-up shops and projects were occupying previously empty spaces while the following year around 25 formerly empty shops was under new management.

The project was the catalyst for renewed commercial investment in the area around Newcastle's formerly dilapidated Hunter Street Mall and was cited by property owners, business groups, media and politicians for being responsible for the economic turnaround in the formerly rundown area of the city.

There are also benefits to property owners including reduced vandalism, squatting and other problems associated with empty buildings; lowering or eliminating some maintenance costs; and it can possibly lower insurance costs as occupied properties can secure lower insurance rates. While for the operators they get exposure to a wider market and test business ideas²⁶.

Landlords provided the vacant shops to the project with each Renew Newcastle project paying the outgoings on their premises and a \$20 a week participation fee that goes towards the costs of the maintenance of the properties.

The program also applied 30-day rolling contracts to allow businesses to claim back their property when they needed to. Additionally, it granted licences, rather than leases, which removed tax and insurance obligations for the property owner²⁷.

Other local case studies include:

- **Pop Up Parramatta 2011** - was a project of Parramatta City Council with co-funding from Arts NSW and input from other partners. The aim of the project was to transform a downtown shopping arcade into a place where creative practitioners create, develop and sell their work through the temporary use of vacant properties

²⁶ Creating Creative Enterprise Hubs: A Guide

²⁷ The Sydney Morning Herald, Pop-up principle allows groups to get creative in unused spaces, Lucien Alperstein 2011

The program started in May of 2011 with seven artists on seven sites, by December of that year it and now facilitated 86 artists across 27 spaces in the CBD. Participants using the spaces were able to pursue their goals with little risk, paying only for insurance, water, electricity and gas²⁸.

- **City of Sydney's Creative Spaces program 2012** - aimed to revitalise Oxford Street while giving start-up creative businesses a 'leg up'. For the first stage, 14 low-cost offices and 2 shopfronts owned by the City of Sydney were made available for creative start-ups and arts organisations for a short term period of around 6-12 months.
- The program has expanded to suit different business and operator needs and include:
 - Short-term (spaces offered for 1 to 12 months).
 - Medium-term tenancies on Oxford Street.
 - Long-term tenancies on William Street and Foley Street.
 - Creative live/workspaces.
 - Accommodation Grants Program.

We undertook interviews with a representative from the City of Sydney to better understand its short-term program. It was revealed that:

- The spaces were owned by Council
- A company called BrandX found potential occupiers while Colliers managed the leasing
- Leases/licences were for a period of 3-6 months with a rolling licence thereafter
- Tenants paid an upfront bond of \$400
- Regardless of the size or outfit tenants paid \$100 per week.

Council could explore a similar program for Avalon to address potential long-term vacancies and avoid or revitalise black spots in a centre while also giving local businesses a chance to start up or explore business models.

6. Encourage an additional anchor tenant(s)

Avalon has a good number of anchors/attractors which are spread throughout the Centre, these include the public school, library, RSL and Woolworths supermarket. The dispersed nature of these attractors encourages movement throughout the Centre helping activation throughout the day.

There is an opportunity for an additional anchor store such as a Harris Farm or smaller supermarket (depending on demand) on a site which is currently vacant along The Crescent. It is noted that Council does not own this land and therefore does not have direct influence over what type of uses are contained in any future complying development.

On locations where Council does own large sites in prime locations it should consider expressions of interest on its land to attract potential anchor tenants and a mix of shops to revitalise the Centre. Council could hold this land as an investment opportunity as Woollahra Council did with its Kiaroa Lane Redevelopment with Woolworths as its anchor tenant.

7. Initiate a Business Improvement District program.

Encouraging the refurbishment of existing office and retail stock would also enhance the look and feel of the Centre and attract new tenants and further investment. This could be done through Council grants or through a Business Improvement District program.

²⁸ Ibid

The concept of Business Improvement District (BIDs) first emerged in Canada in the 1960s and has become an increasingly international movement - particularly in North America and the UK²⁹.

As defined in a recent briefing paper drafted by House of Commons Library - *A Business Improvement Districts (BIDs) are partnerships between local authorities and local businesses which are intended to provide additional services or improvements to a specified area*³⁰.

Local businesses within the defined area pay a set levy to fund a business improvement manager and local programs that improve the quality of the visitor experience. Well managed BIDs can contribute to increased property values, improved sales for local retailers and decreased commercial vacancy rates³¹.

An example in Australia is the Gosford Business Improvement District (GBID), which is a not-for-profit organisation seeking to improve local conditions of businesses, including attracting more people into the city centre and improving the quality of visitor experiences³².

Gosford Business Improvement District was established in 2008 "to make Gosford a safer, cleaner, more commercially vibrant, attractive city"³³. In 2010, the Gosford BID was case-studied by NSW Industry and Investment as an example of a Business Improvement District working in NSW. GBID collects and manages the funds raised by the Gosford City Centre Improvement Special Rate Levy, which all commercial property owners in Gosford are required to pay. During the 2008/2009 financial year, this levy generated an income of around \$400,000³⁴.

If landowners or a group of businesses agree, a BID would be an appropriate mechanism to improve the amenity of the Avalon Town Centre and enhance place activation and marketing. There are also numerous other examples of successful business improvement districts operating around the world that can also be drawn upon for guidance.

Please note, Council is not intended to collect revenue or allocate its spending, this would be done possibly through the local business chambers or another independent organisation, such as a collection of businesses/landowners. Rather Council's role would be to facilitate the development and/or support the BID.

8. Planning review and feasibility testing

As part of the employment lands strategy, a review of the former Manly, Pittwater and Warringah LEP land use tables for commercial zones should be undertaken. This would aim to identify any non-residential land uses that are currently not permitted to be developed in commercial centres, which are appropriate, and should be permitted.

The intent of a B2 - Local Centre zoning should be explored, if the zoning does not correspond to Avalon's vision of providing for its local resident, worker and visitor communities then another appropriate zoning(s) should be identified.

Lastly, Avalon would benefit from a tipping point analysis study. This would explore changes to the current land use controls to incentivise redevelopment.

²⁹ Empty Spaces 2010, 'Gosford Business Improvement District', Arts NSW, viewed at: <http://emptyspaces.culturemap.org.au/node/1482.html>

³⁰ Sandford, M 2018, 'Business Improvement Districts – Briefing Paper Number 04591', House of Commons Library, viewed at: researchbriefings.files.parliament.uk/documents/SN04591/SN04591.pdf

³¹ The World Bank 2018, 'Business Improvement Districts' viewed at: <https://urban-regeneration.worldbank.org/node/16>

³² Empty Spaces 2010, 'Gosford Business Improvement District', Arts NSW, viewed at: <http://emptyspaces.culturemap.org.au/node/1482.html>

³³ Gosford Business Improvement District, 2010

³⁴ Empty Spaces 2010, 'Gosford Business Improvement District', Arts NSW, viewed at: <http://emptyspaces.culturemap.org.au/node/1482.html>

9. Shared space/small business start-up hub

In 2016, 694 workers or 20% of the 3,491 jobs generated in the suburbs of Avalon, Whale Beach and Palm Beach worked from home, compared to 9% of workers across the LGA. This suggests a need for more incubator spaces, expanded library services and/or shared commercial space in the Centre. This would allow these workers to interact and support one another while also increasing the activation, viability and vibrancy of the centre. Additionally, the working from home residents may see the benefits of basing themselves in the centre which would improve the vibrancy and night-time economy.

Landcom in their Oran Park development, recognised the benefits that commercial workers provide in creating a vibrant and viable town centre. To start the town centre, Landcom provided shared space for surrounding residents to work, rather than working from home. The increased pedestrian traffic and activity from these workers attracted investment while also encouraging its users to relocate themselves to the centre. The centre now has the Oran Park Smart Work Hub which provides a professional working environment for commuters and businesses with high-speed wi-fi, flexible workspaces, meeting rooms, and presentation facilities.




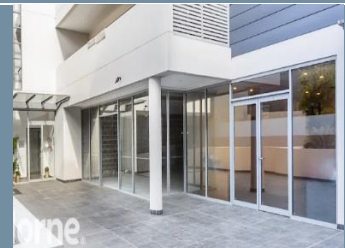
A number of co-worker spaces have recently opened in Mona Vale (Beaches Co-working and Motive), which demonstrates the latent demand for such uses in the northern end of the LGA. Similar spaces have also been created in Manly.

APPENDIX A: MARKET RESEARCH

A.1 Commercial leasing evidence

A.1.1 Avalon


Table 12: Avalon commercial leasing activity





	Address	Floor Area	Attributes	Market Rent PA	\$/sqm Net
	6, 7 & 8/37-39 Old Barrenjoey Road, Avalon Beach	129sqm	Ground floor commercial suite in the heart of Avalon Town Centre.	\$71,000p.a.	\$546/sqm
Leased ground floor commercial suite.					
	2/57 Avalon Parade, Avalon Beach	89sqm	First-floor commercial suite located on the perimeter of the Avalon Town Centre.	\$39,100p.a.	\$439/sqm
For lease, first-floor commercial office with three separate offices.					
	15/11-13 Avalon Parade, Avalon Beach	60sqm	Ground floor commercial/retail suite located in the heart of the Avalon Town Centre.	\$40,000p.a.	\$667/sqm
For lease, ground floor retail commercial/retail suite with one parking space.					
	7/15 Old Barrenjoey Road, Avalon Beach	76sqm	Ground floor commercial/retail suite with outdoor courtyard located in the Exchange building.	\$47,000p.a.	\$618/sqm
For lease, ground floor commercial/retail suite within Exchange building with two parking spaces.					

Source: RP Data 2019, Realcommercial.com, HillPDA 2019 and listing agents.

A.1.2 Newport

Table 13: Newport commercial leasing activity



	Address	Floor Area	Attributes	Market Rent PA	\$/sqm Net
	11/303 Barrenjoey Road, Newport	16sqm	First floor commercial near Newport oval.	\$8,000p.a. (exc GST)	\$500/sqm
Leased commercial suite on the edge of the Newport Town Centre with air-conditioning and shared amenities e.g. kitchen.					

	355-359 Barrenjoey Road, Newport	36sqm	Ground floor office/retail situated within Surfside Arcade.	\$16,200p.a. (exc GST)	\$450/sqm
Leased office/retail space on ground floor with easy access and abundant natural light.					
	336B Barrenjoey Road, Newport	169sqm	Ground floor office/retail suite with ground floor access in centre of the Town Centre.	\$59,800p.a. (exc GST)	\$354/sqm
For lease, commercial suite in hub of Newport Town Centre with exhaust and grease trap potential.					
	Suite 2, 341-337 Barrenjoey Road, Newport	50sqm	First floor medical suite located within larger medical practice.	\$25,000p.a. (exc GST)	\$500/sqm
For lease, medical commercial suite located within existing medical practice.					
	354 Barrenjoey Road, Newport	63sqm	First floor well- presented commercial office with open plan area.	\$22,000p.a. (exc GST)	\$349/sqm
For lease, first-floor commercial office suite in prime position within Newport Town Centre.					

Source: RP Data 2019, Realcommercial.com, HillPDA 2019 and listing agents.

A.1.3 Narrabeen

Table 14: Narrabeen commercial leasing activity

	Address	Floor Area	Attributes	Market Rent PA	\$/sqm Net
	13/11-21 Waterloo Street, Narrabeen	97sqm	Ground floor commercial suite on prime corner position within minutes to the beach and Town Centre.	\$69,300p.a.	\$714/sqm
Leased commercial/retail suite with prime corner position, four parking spaces and floor to ceiling windows.					
	1463C Pittwater Road, Narrabeen	30sqm	First-floor commercial suite with one parking space.	\$12 480p.a.	\$416/sqm
For lease, first-floor commercial office suite with great exposure to Pittwater Road.					





	5/1421 Pittwater Road, Narrabeen	37sqm	First-floor commercial suite located within busy pedestrian Town Centre.	\$11,100p.a.	\$300/sqm
	For lease, first-floor commercial office suite within Town Centre.				
	1/1306 Pittwater Road, Narrabeen	123sqm	Ground floor commercial suite.	\$59,000p.a. \$4,800 (exc GST) outgoing	\$480/sqm
	For lease, ground floor commercial suite in the heart of Narrabeen's shopping district.				

Source: RP Data 2019, Realcommercial.com, HillPDA 2019 and listing agents.

A.2 Retail leasing evidence

A.2.1 Avalon

Table 15: Avalon retail leasing activity

	Address	Floor Area	Attributes	Market Rent PA	\$/sqm Net
	1/27 Old Barrenjoey Road, Avalon Beach	61sqm	Ground floor retail shop with high pedestrian flow.	\$43,000p.a. (exc GST) \$6,405 (exc GST) outgoing	\$705/sqm
	Leased retail shop in the heart of Avalon with direct access to pedestrians along main retail street within Avalon. Including 2 car spaces.				
	6/20 Avalon Parade, Avalon Beach	28sqm	Ground floor retail shop in central location within Arcade. Dual window access into arcade and laneway at the rear.	\$26,000p.a. (exc GST)	\$929/sqm
	Leased retail shop within Avalon Arcade.				
	1/21-23 Old Barrenjoey Road, Avalon Beach	133sqm (157sqm incl outdoor seating)	Ground floor retail shop in central location with full height glass shopfront and a nice wide frontage.	\$126,000p.a. (exc GST) \$16,829 (exc GST) outgoing	\$947/sqm
	Leased retail shop next to village plaza with direct access to pedestrians along main retail street within Avalon. Including 2 car spaces + visitors parking.				
	2/21-23 Old Barrenjoey Road Avalon Beach	102sqm (127sqm incl outdoor seating)	Ground floor retail shop in central location with full height glass shopfront and a nice wide frontage.	\$78,000p.a. (exc GST) \$13,114 (exc GST) outgoing	\$765/sqm



Leased retail shop in the heart of Avalon with direct access to pedestrians along main retail street within Avalon. Including 2 car spaces + visitors parking.



43 Old Barrenjoey Road, Avalon Beach	115sqm	Ground floor retail shop with new partial fit out.	\$79,000p.a.	\$687/sqm
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Leased retail shop located in prime position within Avalon Town Centre.



26 Avalon Parade, Avalon Beach	140sqm	Ground floor retail shop in central location with great natural light and existing equipment for Deli/Café.	\$89,960p.a. (exc GST)	\$643/sqm
			\$8,496 (exc GST) outgoing	

For lease, retail shop next to village plaza with direct access to pedestrians along main retail street within Avalon.



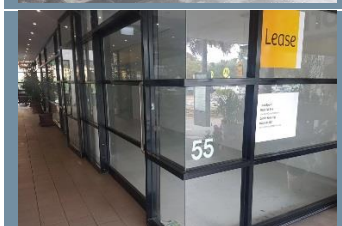
2/49 Old Barrenjoey Road, Avalon Beach	62sqm	Ground floor retail shop in premier high street location with enormous window display. 'Generous' Rent free period has been offered by owner.	\$66,500p.a. (Exc GST)	\$1,073/sqm
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For lease, retail shop with modern fit out that enjoys abundant foot traffic located at the crossroads in Avalon Shopping Village.



7/51 Old Barrenjoey Road, Avalon Beach	27sqm	Ground floor retail shop with dual access from Old Barrenjoey Road and Avalon Parade.	\$24,000p.a. (exc GST)	\$889/sqm
			\$4,140 (exc GST) outgoing	

For lease, retail shop within older style Arcade.






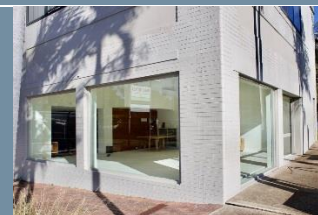

2/55 Old Barrenjoey Road, Avalon Beach	56sqm	Ground floor retail shop opposite Woolworths.	\$48,000p.a. (exc GST)	\$857/sqm
			\$10,500 (exc GST) outgoing	

For lease, retail shop located within one of the best locations in Avalon.

Source: RP Data 2019, Realcommercial.com, HillPDA 2019 and listing agents.

A.2.1 Newport

Table 16: Newport retail leasing activity







	Address	Floor Area	Attributes	Market Rent PA	\$/sqm Net
	1/371 Barrenjoey Road, Newport	36sqm	Ground floor retail shop with wide bi-fold door shop front.	\$22,000p.a.	\$611/sqm
Leased retail shop located on the northern end of Newport's busy retail hub.					
	4/326-330 Barrenjoey Road, Newport	48sqm	Ground floor retail shop located on the eastern side of Barrenjoey Road.	\$34,000p.a.	\$708/sqm
Leased retail shop located in the centre of the Newport Town Centre.					
	3/57 Foamcrest Avenue, Newport	50sqm	Ground floor retail shop with high ceilings.	\$26,000p.a. (exc GST)	\$520/sqm
For lease, retail shop within main retail precinct with direct access to pedestrians along main retail street within Newport.					
	2/303 Barrenjoey Road, Newport	80sqm	Ground floor retail shop with a prominent position.	\$65,000p.a. (exc GST)	\$813/sqm
For lease, retail shop with large outdoor area and vast street frontage.					
	1/341 Barrenjoey Road, Newport	257sqm	Ground floor retail shop with prominent street frontage previously leased by St George Bank.	\$149,000p.a. (exc GST)	\$578/sqm
For lease, retail shop within main part of Newport Town Centre with direct pedestrian access and wide street frontage.					

Source: RP Data 2019, Realcommercial.com, HillPDA 2019 and listing agents.

A.2.2 Narrabeen

Table 17: Narrabeen retail leasing activity

	Address	Floor Area	Attributes	Market Rent PA	\$/sqm Net
	1/1427 Pittwater Road, Narrabeen	115sqm	Ground floor retail shop with Council approved grease trap, exhaust and cool room.	\$50,000p.a. (exc GST)	\$435/sqm
Leased retail shop within superb retail strip with great positioning for foot traffic.					

	4/1346 Pittwater Road, Narrabeen	80sqm	Ground floor retail with main road corner exposure.	\$75,000p.a.	\$938/sqm
	Leased retail shop in the best position in Narrabeen.				
	1/1338 Pittwater Road, Narrabeen	136sqm	Ground floor retail café opportunity with pedestrian access along Pittwater Road.	\$76,000p.a. (exc GST)	\$559/sqm
	Leased retail shop within superb retail strip with great positioning for foot traffic.				
	14/11-21 Waterloo Street, Narrabeen	91sqm	Ground floor retail suite with 4 secure parking spaces.	\$46,000p.a. (exc GST)	\$505/sqm
	Leased retail shop with walking distance to Narrabeen Town Centre and beach.				
	1238 Pittwater Road, Narrabeen	101sqm	Ground floor retail suite with signage opportunity and large shopfront in prime retail position.	\$45,000p.a. (exc GST)	\$446/sqm
	For lease, retail shop with great main road positioning providing great exposure.				
	1320 Pittwater Road, Narrabeen	82sqm	Ground floor retail with great street frontage exposure.	\$38,500p.a. (exc GST) \$6,000 (exc GST) outgoings	\$470/sqm
	For lease, retail shop with great main road positioning close to B-line bus stop.				
	1429 Pittwater Road, Narrabeen	110sqm	Ground floor retail shop DA approved for restaurant and bar use.	\$44,980p.a.	\$409/sqm
	For lease, retail shop with great road positioning close to B-line bus stop.				

Source: RP Data 2019, Realcommercial.com, HillPDA 2019 and listing agents.

APPENDIX B: FLOORSPACE AUDITS AND CENTRE MAPS

B.1 Narrabeen and Newport Town Centre boundary

The boundary for Narrabeen Town Centre is provided below.

Figure 16: Narrabeen Town Centre



The boundary for Newport Town Centre is provided below.

Figure 17: Newport Town Centre



B.3 Narrabeen Newport Town Centre floorspace audit

A detailed floorspace summary of Narrabeen and Newport town centre's is provided in the tables below.

Table 18: Narrabeen Town Centre floorspace summary (GFA)

Category	Ground	Level 1	Level 2	Level 3	Total
Retail					
Café/restaurant	1,170	0	0	0	1,170
Clothing	0	66	0	0	66
Convenience store	655	68	0	0	723
Personal service	1,042	137	0	0	1,179
Pub/hotel	0	103	0	0	103
Speciality food	207	0	0	0	207
Speciality non-food	317	0	0	0	317
Supermarket/grocery	2,080	0	0	0	2,080
Take away	252	0	0	0	252
Sub-total	5,721	374	0	0	6,095
Commercial					
Commercial general	911	169	0	0	1,080
Financial	334	0	0	0	334
Government	463	0	0	0	463
Legal	87	0	0	0	87
Medical	140	26	0	0	167
Real estate	356	0	0	0	356
Sub-total	2,291	195	0	0	2,487
Other					
Community	508	0	0	0	508
Education	0	131	0	0	131
Industrial	318	0	0	0	318
Recreation/Fitness	587	0	0	0	587
Residential	2,708	5,187	4,806	1,365	14,066
Vacant space	270	161	0	0	431
Total	12,403	6,049	4,806	1,365	24,623

Source: HillPDA 2019 audit, columns may not total due to rounding

Table 19: Newport Town Centre floorspace summary (GFA)

Category	Ground	Level 1	Level 2	Level 3	Total
Retail					
Café/restaurant	1,170	0	0	0	1,170
Clothing	0	66	0	0	66
Convenience store	655	68	0	0	723
Personal service	1,042	137	0	0	1,179
Pub/hotel	0	103	0	0	103
Speciality food	207	0	0	0	207
Speciality non-food	317	0	0	0	317
Supermarket/grocery	2,080	0	0	0	2,080
Take away	252	0	0	0	252
Sub-total	5,721	374	0	0	6,095
Commercial					
Commercial general	911	169	0	0	1,080
Financial	334	0	0	0	334
Government	463	0	0	0	463
Legal	87	0	0	0	87
Medical	140	26	0	0	167
Real estate	356	0	0	0	356
Sub-total	2,291	195	0	0	2,487
Other					
Community	508	0	0	0	508
Education	0	131	0	0	131
Industrial	318	0	0	0	318
Recreation/Fitness	587	0	0	0	587
Residential	2,708	5,187	4,806	1,365	14,066
Vacant space	270	161	0	0	431
Total	12,403	6,049	4,806	1,365	24,623

Source: HillPDA 2019 audit, columns may not total due to rounding

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SYDNEY

Level 3, 234 George Street
Sydney NSW 2000
GPO Box 2748 Sydney NSW 2001
t: +61 2 9252 8777
f: +61 2 9252 6077
e: sydney@hillpda.com

MELBOURNE

Suite 114, 838 Collins Street
Docklands VIC 3008
t: +61 3 9629 1842
f: +61 3 9629 6315
e: melbourne@hillpda.com

WWW.HILLPDA.COM