

Katherine Town Centre

Retail and Commercial Analysis

September 2015



MacroPlan Dimasi

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Executive Summary

The Northern Territory (NT) economy and its regions are in a period of transition with the winding down of the construction stage of major mining and gas projects expected to have an adverse impact on the Territory's population growth over the immediate future.

To be successful in this transitional period, Regional NT in particular will need to look to its fundamental competitive advantages and how they relate to a changing economic environment. A key component of this regional competitive advantage is the existing network of well-established regional towns and service hubs, such as Katherine and Alice Springs.

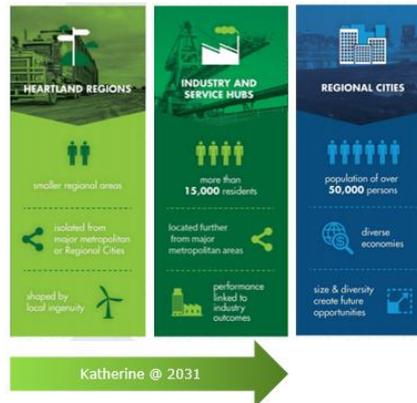
These areas offer relatively diverse employment opportunities, underpinned by agribusiness, tourism, indigenous culture and transport connectivity, and have grown significantly in recent years.

Katherine itself is rapidly approaching 15,000 residents, which research¹ indicates is an important threshold for regional development,

with smaller regional areas transforming into larger, more self-sustaining industry and service hubs.

Future growth in these economies, however will depend upon the ability to both leverage their strengths and also fix some of the gaps that currently exist.

Our analysis within this report, clearly indicates that within Katherine, a current and significant gap in the provision of retail goods and services exists, and further identifies a significant and growing need for additional retail floorspace within the catchment.



One of the specific obstacles that Katherine's retail sector faces in regard to growth is and has been the relatively limited development and redevelopment opportunities within the central business area.

In our consultation process, MacroPlan Dimasi was made aware of several retailers who would like to enter and/or expand within the Katherine market but are unable to do so as there are no available flood

¹ RAI (2014) Talking point: The foundations of regional Australia

free sites within the town centre that can accommodate the footprints that they require.

Continued under-investment and under delivery of retail floorspace is undesirable from a community benefit perspective and a constraint on the economic growth potential within the Town.

Correcting the current level of under investment and providing for future demand, will result in a range of economic benefits, including but not limited to:

- Increased convenience and amenity for the population within the Katherine region.
- Ensuring sufficient retail floorspace is made available to meet demand.
- Ensuring the right type of retail is provided in the right location at the right time to meet the needs of the consumer.
- Increased consumer choice within the trade catchment, driving increased price competition and consumer savings.
- A significant uplift contribution to local employment and consequent economic multiplier impacts

In this regard, the report has identified 6 centre framework options that could be pursued to meet this need.

It is important to note that these scenarios are not necessarily mutually exclusive and future growth within Katherine may in fact be subject to a combination of some of these options.



We also note that some of the scenarios were unlikely to be tested in the original KLUP considerations, however are considered important particularly in light of a now increased understanding of latent demand and apparent under investment within the town.

Introduction

This report presents an independent assessment of the potential need and market demand for retail and commercial land within Katherine.

It also examines the economics of flood mitigation to further support the implementation of the Katherine Land Use Planning process, specifically as it relates to demand for a second town centre and the potential location, development and design responses with regards to flood risk.

In addressing this scope, key project formulation elements were developed to address the following key questions:

- What is the likely potential future demand for land to meet the commercial and retail needs of the community?
- What opportunities do vacant or undeveloped sites within the town centre offer for future development?
- What is the viability of design measures necessary to minimise the impacts of flooding?

We note that this report is focussed on the potential need and market for retail and commercial land within Katherine, and the viability of flood mitigated delivery options. In this regard it does not consider environmental, traffic, social and/or political impacts.

The report is structured in five sections as follows:

Section 1 – Confirms the existing commercial/retail floorspace supply across Katherine.

Section 2 – Assesses the current commercial investment status.

Section 3 – Identifies and examines reasons for underdevelopment.

Section 4 – Undertakes projections of future retail and commercial need.

Section 5 – Defines and considers alternative retail floorspace development options.

Section 1: Existing Supply Analysis

This section of the report reviews the current and future framework for retail and commercial facilities within Katherine and includes a detailed floorspace audit² by category.

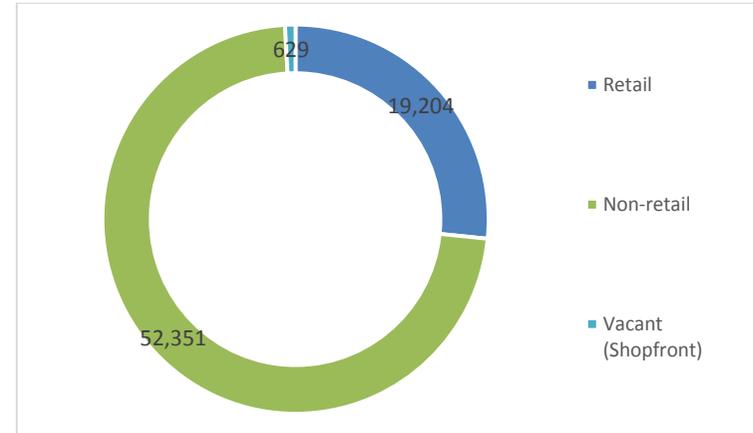
Currently within the Katherine, the results of the supply audit show a total occupied retail floorspace quantum of approximately 19,204sq.m.³

As illustrated in Figure 1, retail uses represent around 27% of the total commercial type floorspace within the Town Centre. Non-retail uses represent the majority of tenants equating to over 52,000sqm or 73% of the total footprint, the majority of which is office floorspace and entertainment uses, such as pubs, clubs and the cinema.

At the time of the audit, only 629sq.m of vacant retail shop-front tenancies were identified as vacant, which equates to vacancy rate, based on retail uses, of 3.2%.

This is relatively low and represents a tight leasing market with limited opportunities for business expansion, relocation and/or new business.

Figure 1 - Katherine Commercial Floorspace (sq.m)



Source: MacroPlan Dimasi 2015.

As illustrated in Figure 2, Food, Liquor and Grocery (FLG) floorspace is the dominate retail category, representing 41% of all floorspace, which is largely in-line with profile of resident retail expenditure. Typical uses in this category include supermarkets, fresh food stores, and convenience and bottle shops.

Figure 2 - Retail Floorspace by Category (sq.m)

Katherine - Retail Floorspace by Category								
	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total
Sqm	7,891	2,651	2,535	1,315	1,355	2,667	789	19,204
Tenants	12	20	11	8	4	14	8	77

Source: MacroPlan Dimasi 2015

² Floorspace audit undertaken on 10th April 2015.

³ Net Lettable Area (NLA)

Section 2: Commercial Investment Status

This section determines the current commercial and retail investment status in Katherine by assessing those conditions that influence commercial and retail need, including trade area analysis and expenditure modelling, and comparing that to the existing scale and mix of floorspace currently provided throughout Katherine

2.1 Delineation of Katherine Trade Area

The trade area supported by the township of Katherine is considerable given the remote nature of the surrounding region and the lack of comparable centre facilities throughout this region. In consultation with local operators the trade area for specific retail stores was up to a six (6) hour drive time due to the regional dependence on Katherine.

The trade area has been defined as two catchments, a primary and a secondary, with the characteristics of each outlined below;

- The **Primary Trade Area** (PTA) comprises the Katherine LGA and indicates those residents who access the centre facilities throughout the township on a regular, daily basis.
- The **Secondary Trade Area** (STA) includes a very large regional catchment that 200km to 500km from Katherine, including to the north past Pine Creek, east to the Gulf of Carpentaria, south to Daly Water and west to Timber Creek.

Appendix A illustrates the defined PTA and STA.

⁴ ABS Estimated Residential Population, Cat. 3218.0

2.2 Existing Katherine Trade Area Population

The current population⁴ of the MTA is estimated at 18,260 people comprising 11,030 in the PTA and 7,230 people in the STA. Both catchments have recorded consistent growth over the past eight years with up to 1.6% recorded in the PTA and up to 1.0% in the STA.

Figure 3 - Trade Area Population

Katherine trade area population, 2006-2014*			
Trade area sector	Estimated population		
	2006	2011	2014
Primary	9,730	10,520	11,030
Secondary	6,830	7,170	7,230
Main trade area	16,560	17,690	18,260

Trade area sector	Average annual growth (no.)	
	2006-11	2011-14
Primary	158	170
Secondary	68	20
Main trade area	226	190

Trade area sector	Average annual growth (%)	
	2006-11	2011-14
Primary	1.6%	1.6%
Secondary	1.0%	0.3%
Main trade area	1.3%	1.1%

*As at June
Source: ABS Census 2011 MacroPlan Dimasi

2.3 Katherine Expenditure Profile

The retail expenditure profile supported by the defined trade area for Katherine is determined by the income as well as socio-demographic characteristics of residents throughout the primary and secondary catchments (See Appendix B).

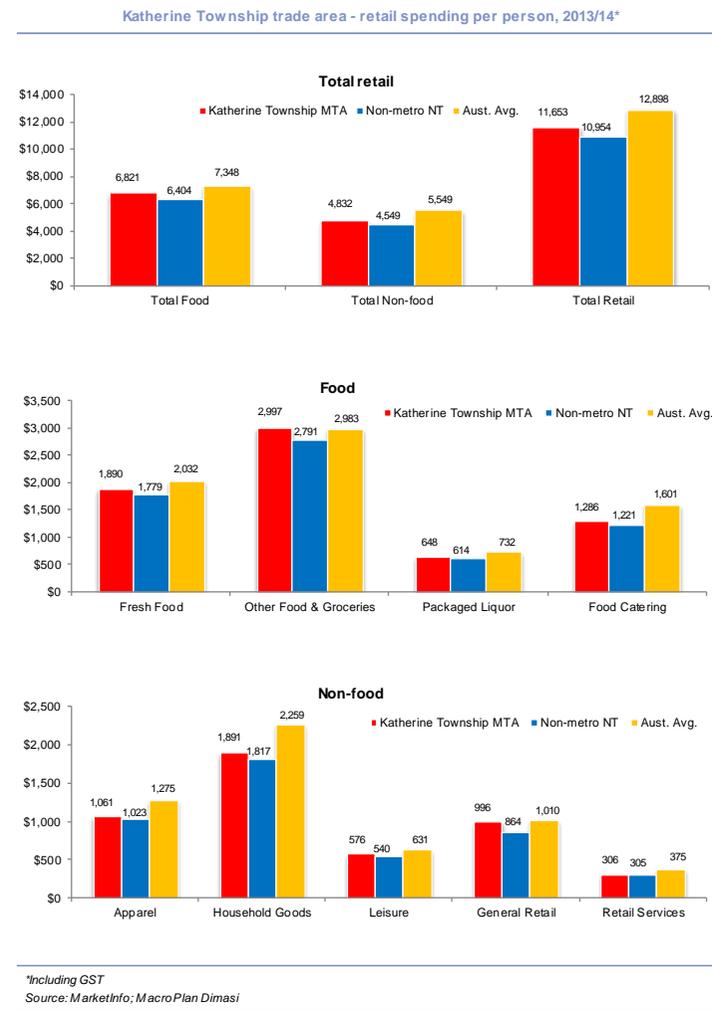
The retail expenditure profile⁵, is presented in the Figure 4 following. The following highlights some key expenditure and demand characteristics relevant to the Katherine township;

- The retail profile for the MTA is marginally less than the national benchmark with an average of \$11,653 per person compared with \$12,898. This is consistent with the lower household income of the MTA.
- Expenditure on food retail categories, particularly fresh food, and other food and groceries, are largely consistent with national benchmarks indicating an enhanced demand profile for these specific uses within the trade area.
- The difference in non-food retail expenditure between the MTA and the national profile is greater than food retail indicating a reduced demand profile for retail categories such as apparel, household goods, and retail services, and may be reflective of a limited offer in the area and therefore represent some level of latent demand.

Based on the retail expenditure profile and estimated population for the MTA, the total retail expenditure pool is approximately \$212 million (in 2014 dollars).

⁵ The retail expenditure profiling completed for this assessment has relied on retail expenditure data produced by Market Data Systems (MDS), which utilises a detailed micro simulation model of household expenditure behaviour for all residents of Australia. The model takes into account

Figure 4 - Retail Expenditure Profile



information from a wide variety of sources including the regular ABS Household Expenditure Surveys, national accounts data, Census data and other information to produce detailed forecasts of specific household expenditure profiling.

2.4 Retail Need

Retail need within Katherine is represented by an estimation of floorspace demand. In order to determine this, the retail expenditure figures indicated in Figure 4 for each catchment have been extrapolated based on retail categories, average retail turnover densities (RTDs), as well as catchment retention rates to calculate the estimated floorspace demand.

This retail demand analysis also takes into consideration demand generated from outside the trade area, such as tourism expenditure, which has a greater influence on food, catering and leisure retail categories based on typical tourism activities.

The estimated total retail expenditure retained within Katherine in 2015 is \$145.1 million. This value of retail expenditure translates into need for an estimated 24,388sq.m of retail floorspace. The following provides a breakdown of this total retail need by category:

- FLG (food, liquor and groceries): 11,875sq.m
- Food catering: 4,089sq.m
- Apparel: 1,882sq.m
- Household goods: 3,289sq.m
- Leisure: 726sq.m
- General retail: 1,825sq.m
- Retail services: 701sq.m

2.5 Evaluation of Current Retail Gap

Based on a comparison of the retail need conditions presented above and the existing retail supply throughout Katherine analysed in Section 1, there is considered a current gap or undersupply of retail facilities within Katherine.

The current gap within Katherine is estimated as a **net undersupply of 5,183sq.m**. However, this does include a number of retail categories that indicate a potential oversupply with the undersupply across the **FLG, Food Catering and Household Goods** categories equating to 7,396sq.m.

The types of retail uses relevant to those retail categories in undersupply are detailed below:

- **FLG** – This represents supermarkets, fruit and vegetable stores, butchers, liquor stores, and other general food retail stores. The undersupply indicates the heavy reliance on those existing uses in town, such as the Woolworths supermarket.
- **Food catering** – This represents restaurants, takeaway food and fast food stores. There is limited supply in the town centre itself at the moment therefore limiting choice for local residents and tourists.
- **Household goods** – This represents typical retail showroom uses including furniture, electronics and homewares which are represented to some extent in the town centre, however are largely underrepresented in comparison to demand and need conditions.

Section 3: Reasons for Underdevelopment

Based on our analysis and discussion with key stakeholders, three key factors emerge which combined explain the current level of under-investment within the Katherine Town Centre.

3.1 Flooding – Investability and Insurability

Flooding cause's significant impacts on the Katherine community and its economy - and is a significant risk to new investment. At present, all of the Central Business zoned land within the town centre is situated within the floodplain of the Katherine River and below the 1% Annual Exceedance Probability (AEP)⁶ flood level.

Currently the Northern Territory adopts the 1% AEP flood extent and floodway as the basis for land use planning. However from an insurance and investment perspective, it is important to understand that for Katherine in particular, there are many flood hazard levels and associated risks that need to be considered.

Consultation with local business and retail operators suggest that store flooding, stock loss and business disruption occurs more frequently at levels well below the 1% AEP flood event. Records indicate that the largest recorded flood occurred in 1998, where

almost all residential, commercial and industrial properties in the original town area were inundated. Notably the Katherine East Residential Area was not affected to a significant extent.

Businesses can and do however choose to be located within an area that flood for a range of commercial reasons, whether that be cheaper rent, better exposure or access to a key target market.

Our consultation with retail developers and major retailers however, indicates that *new* investment and development within a flood plain, *without* design mitigation, typically does not meet investment criteria for new capital allocation. However, importantly it does not rule out the adoption of suitable design responses on an individual site basis to address flooding risk, assuming that it could be done so in a feasible manner (i.e. podium development).

In addition to development feasibility, the issue of insurance is also a significant factor for consideration. Based on discussion with major insurance providers, we understand that due to the specific circumstances of the township and specifically the small size of the *insurance pool*, that it not possible to 'flood proof' all flood risk properties in their current locations against a severe flood event.

⁶ Annual Exceedance Probability (AEP) expresses the height of a flood level for various probabilities. A 1% AEP is equivalent to a 1 in 100 year flood.

3.2 Site Scarcity

In the current context, site scarcity equates to the availability of adequately zoned sites which could accommodate the current latent demand and potentially the future growth in retail demand.

The adequacy of sites relates to both physical factors of size, topography and location and the cost effectiveness of delivery including underlying raw land values and viability of development.

In regards to physical factors, the previous analysis indicates a current retail floorspace gap across the FLG, Food Catering and Household Goods categories equating to 7,396sq.m. Whilst this may include some incremental expansion, from a commercial delivery perspective this equates to a full-line supermarket, associated specialties and for development viability reasons would typically be delivered in one-line.

In terms of a land requirement, delivery of this quantum of retail, would typically require a minimum of 1.0 ha of land if build on podium with under croft parking and ideally 2.0ha if built at-grade.

Based on the current land fragmentation pattern within the Central Business zoned area of the Katherine Town Centre, there are only 2 sites that meets this criteria not requiring further amalgamation, including:

1. 19 Second Street - former Katherine High School site; and
2. 31 O'Shea Terrace – currently vacant.

3.3 Viability with Flood Mitigation

Assuming the reasonable availability of suitable development sites, the question of under investment and investment certainty is inextricably linked to development viability. In other words, is the development of new commercial / retail floorspace feasible and does it “stack-up” in the current market using relevant revenue and cost side data.

While planning by its nature it is about anticipating and providing for longer term prospects for wider community benefit, it also need to have regard to short term land economics and development viability.

In this regard, based on a simple residual land value analysis (see Appendix C), the development of a flood mitigated, and podium based retail centre within Katherine appears to be unviable, returning a residual NPV of the land of approximately -\$10.2M.

This analysis would suggest that in the current market, without significant Government intervention and support, private sector delivery of significant additional flood mitigated floorspace within the town centre is highly unlikely.

In comparison, Appendix D demonstrates that the viability of a traditional at-grade development in the current market remains an option, returning a residual net present land value of \$7.3M, which equates to a land value of \$292 on a per sq. basis and appears in-line with market parameters

Section 4: Future Commercial Needs

Historical Australian Bureau of Statistics data demonstrates that since 2003 Katherine has experienced relatively strong growth with an average of 1.6% growth per annum over the past ten years.

Going forward, there are a number of key drivers for growth and influencing factors for population and commercial growth within Katherine, including:

- Short term growth spikes, such as construction at the RAAF Base Tindal.
- Lasting long term trend effects, such as ongoing growth in the horticulture and pastoralism industries.
- Cyclical sectoral based opportunities such as mining/resource and tourism.

Those economic drivers outlined all have potential to influence growth within and around the Katherine Township.

While specific drivers will have a varying influence on residential and retail demand conditions from year to year, in terms of understanding sustained levels of need for retail and commercial facilities it is more appropriate to take a long term view on rates of growth.

4.1 Population Projections

The population projections produced for the purpose of this study are based on the defined trade area relevant to the Katherine Township.

These forecasts are presented in Figure 5 below and indicate a total population of 18,260 people in 2014 and a forecast population of 21,660 people by 2031.⁷

Figure 5 - Katherine Trade Area Population Projections 2006-2031

Katherine Township trade area population, 2006-2031*							
Trade area sector	Estimated population			Forecast population			
	2006	2011	2014	2016	2021	2026	2031
Primary	9,730	10,520	11,030	11,390	12,290	13,190	14,090
Secondary	<u>6,830</u>	<u>7,170</u>	<u>7,230</u>	<u>7,270</u>	<u>7,370</u>	<u>7,470</u>	7,570
Main trade area	16,560	17,690	18,260	18,660	19,660	20,660	21,660
Trade area sector	Average annual growth (no.)						
	2006-11	2011-14	2014-16	2016-21	2021-26	2026-31	
Primary	158	170	180	180	180	180	
Secondary	<u>68</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	20	
Main trade area	226	190	200	200	200	200	
Trade area sector	Average annual growth (%)						
	2006-11	2011-14	2014-16	2016-21	2021-26	2026-31	
Primary	1.6%	1.6%	1.6%	1.5%	1.4%	1.3%	
Secondary	<u>1.0%</u>	<u>0.3%</u>	<u>0.3%</u>	<u>0.3%</u>	<u>0.3%</u>	0.3%	
Main trade area	1.3%	1.1%	1.1%	1.0%	1.0%	0.9%	

*As at June

Source: ABS Census 2011; NT Department of Treasury and Finance, 2014; MacroPlan Dimasi

⁷ The population projections have incorporated data and forecasts from a number of sources including the ABS and the NT Department of Treasury and Finance.

4.2 Retail Expenditure Projections and Future Retail Need

Future retail expenditure will predominantly be influenced by growth in the resident population, with some small influence from real growth in retail expenditure and retail price inflation over time.

Based on those population projections presented in Figure 5 and the retail profile characteristics presented in Figure 4, total retail expenditure is forecast to increase from \$212 million in 2014 to \$423 million in 2031.

Figure 6 - Total Retail Expenditure Estimates 2014-2026

Katherine Township trade area - retail expenditure (\$M), 2014-2026*							
Trade area	Forecast retail spend (\$M)					Avg. ann. growth	
	2014	2017	2021	2026	2031	(\$M)	(%)
Primary	159	181	216	268	333	9	4.5%
Secondary	53	58	66	77	91	2	3.2%
Main trade area	212	239	281	346	423	11	4.2%

*Inflated dollars & including GST
Source: MarketInfo; MacroPlan Dimasi

This equates to an overall increase in expenditure of \$211.8 million or 100% growth based on 2014 values.

Extrapolating this growth in demand into retail floorspace need using average retail turnover densities (RTDs), as well as catchment

retention rates indicates that the retail need conditions relevant to Katherine are forecast to increase from 25,176 sq.m in 2014 to 40,785 sq.m in 2031.⁸

Based on the current assessed gap equates to an additional 21,581 sq.m of retail floorspace or an increase of 112% to 2031.

The breakdown between the current retail under supply and future retail needs conditions is illustrated in Figure 7 below.

Figure 7 - Future Retail Demand Conditions

Katherine Forecast Retail Needs - 2031			
Retail Category	Current Retail Undersupply (2015)	Future Additional Growth to 2031	Net Retail Need Conditions (2031)
FLG	3,984	8,190	12,174
Food Catering	1,439	3,038	4,476
Apparel	-653	1,069	416
Household Goods	1,974	1,863	3,836
Leisure	-630	468	-162
General Retail	-843	1,312	470
Retail Services	-88	459	370
Total	5,183	16,397	21,581

Source: MarketInfo, MacroPlan Dimasi

⁸ Appendix E and D present detailed forecasts of the estimated retail need conditions, including retained expenditure and sustainable floorspace by category throughout the Katherine trade area between 2014 and 2031.

4.3 Retail Delivery Options

As indicated in Figure 7, future growth in the retail categories of FLG, Food Catering and Household Goods is expected to significantly increase the existing undersupply situation within Katherine.

This increase in retail needs will require a substantial increase in retail capacity within Katherine in order to efficiently and effectively meet the needs of residents throughout the trade area, as well as tourists within the township.

Failure to provide this additional capacity risks existing retailers trading at well above capacity, creating a reduction in competition and choice, as well as missing out on the economic benefits associated with retail expansion and growth (i.e. employment, enhanced accessibility and convenience, improved amenity).

Ultimately the potential delivery options within Katherine will be influenced by the net retail need conditions as indicated in Figure 7, but also and specifically the scale of net retail needs for each retail category.

While some categories can satisfactorily grow incrementally over time, others will require the establishment of additional large anchor uses or centres to effectively meet resident needs.

Future delivery options by retail category are discussed following:

- **FLG:** By 2031 there is expected to be a net retail need of 12,174 sq.m for additional food, liquor and grocery uses within Katherine. With respect to the population capacity at this time also (forecast to be 21,660 people), the biggest influencing factor will be the need for an additional supermarket within the township. The need for a second supermarket will likely be triggered much sooner than 2031 however with demand conditions supporting this use by 2017/18. Much of the other growth in FLG uses will be dependent on the delivery of the second supermarket within a consolidated centre so as to create a critical mass and a shopping destination for residents.
- **Food Catering:** Growth in Food Catering is expected to occur as a combination of incremental growth throughout the township where opportunities exist, as well as a spike in growth when the second centre is delivered. While it is expected that formal dining will likely be retained within the township; and at existing accommodation providers consistent with other tourism uses, a second shopping centre could provide the opportunity for the provision of casual dining focused on providing accessibility and convenience for local residents.
- **Apparel, Leisure, General Retail, and Retail Services:** All these retail categories are likely to experience some level of incremental growth over time where capacity allows within the existing township. However, many specific uses within these categories rely on the co-location support of anchor retail uses which provides further support for the consolidation of some level of retail growth within a potential second shopping centre.

- **Household Goods:** Future growth in demand will continue to increase the current undersupply of retail uses within this category. Future growth opportunities will predominantly be dependent on location and while some uses will have the capacity to trade as standalone premises, other smaller stores will benefit from co-location within a centre or dedicated bulky goods precinct.

Based on these specific delivery options outlined, future retail growth within Katherine will largely be influenced by potential catalyst type developments.

These include the potential for a second supermarket within a consolidated centre, as well as a homewares centre or precinct. Both opportunities are driven by the need for consolidation and critical mass for a number of tenants and retail categories.

Without this consolidation provided by new centre development/s it is likely there will be incremental growth restricted by suitable site opportunities within the existing township.

4.4 Consideration of Other Commercial

The preceding analysis considers centre growth based on retail floorspace alone, which is the basis of land demand and supply projections in the KLUP.

We note however, as outlined in Section 1, that the Katherine Town Centre is comprised a range of uses, where retail equates to only

27% of total floorspace. A further 26% is classified as dedicated commercial office, and hence is an additional important factor for future land supply considerations.

Within Katherine, and as noted in the KLUP, the main driver for commercial floorspace is the provision of Government offices and potential for growth in private sector demand in association with the ongoing role of Katherine as a service centre for the broader region.

Currently, within Katherine, the provision of Office floorspace based on the identified MTA is at a rate of 1.01sqm per capita. This is relatively high and reflects Katherine's important role as a regional service and business hub for the Northern Territory.

Going forward we would expect this level of demand to largely remain the same, however will ultimately be determined by the ongoing provision of Government offices, supplemented by private sector demand.

From a quantitative perspective and given projected growth of 3,400 persons to 2031, this equates to demand for approximately 3,500sq.m of commercial office space.

Section 5: Centre Framework Options

The analysis outlined in the previous section clearly indicates a significant and growing need for additional retail floorspace within the catchment.

Currently within Katherine, our analysis suggests a current shortfall of retail floorspace of 5,183sq.m, growing to 21,581sq.m by 2031.

We also have identified potential demand for an additional 3,500sq.m of commercial office over the same period.

From a land supply perspective, this could equate to demand for up to 6 – 7 ha of commercial land, compared to the 0.5ha which is projected and planned for in the KLUP.

In this regard, and based on the commercial/delivery parameters previously discussed there are fundamentally 4 key centre framework options available to meet this need;

We note that some of the identified scenarios were unlikely to be tested in the original KLUP considerations, however are considered important in light of an increased understanding of latent demand and the apparent under investment within the town.

It is important to note that these options are not necessarily mutually exclusive and future growth within Katherine may in fact be subject to a combination of some of the above scenarios.

Each of these options are discussed further in turn.

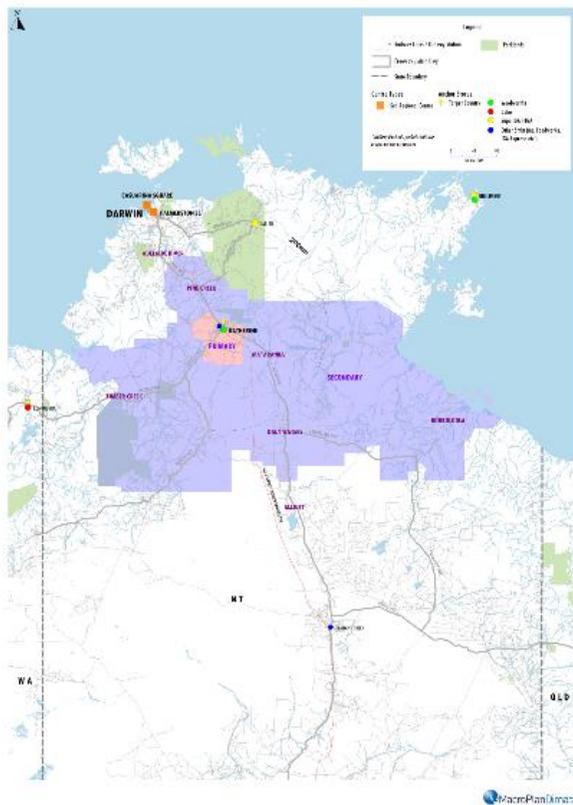


	Continued Town Centre Development without Flood Mitigation	Continued Town Centre Development with Flood Mitigation	Development of Second Town Centre as designated in KLUP	Development of Alternate Second Town Centre	Development of a neighbourhood centre	Allow for selective out-of-Centre showroom development
Description	Accommodate further commercial and retail activity within the Town Centre to reinforce the role of the centre as the commercial hub of the town.	Accommodate further flood mitigated commercial and retail activity within the Town Centre to reinforce the role of the centre as the commercial hub of the town.	Accommodate future commercial and retail activity at the KLUP identified Second Town Centre site in East Katherine.	Respond to current under investment and accommodate future commercial and retail activity at an alternative site than that identified within the KLUP.	Respond to current under investment only at an alternative site.	Accommodate current and future demand for bulky goods / high risk retail activity at an alternate location.
Opportunities	Incremental development	Incremental development (Inc. opportunities to fill in some low lying areas) Re-development of existing stores/centres Large site activation via JV/PPP (i.e. Katherine High School) – to cater for current and some future retail demand.	Development of a flood immune Second Town Centre catering to future growth in Katherine East and future retail demand.	Development of a flood immune Second Town Centre catering for both current and future growth in Katherine East and future retail demand.	Development of a flood immune neighbourhood centre catering for the current undersupply / retail floorspace gap.	Development of a flood immune showroom centre catering for the both the current undersupply and future gap in bulky good type, in addition to the relocation and expansion requirements of relevant local traders currently operating in the flood zone.
Implications	New investment criteria: based on discussion with major retail developers and occupiers, a new development built in a flood zone without mitigation would not receive investment support in most cases. Site Availability: Limited available large sites. No sites large enough to cater for all of future demand to 2031. Insurability: based on discussion with major insurance providers, new development within the flood zone without mitigation would not be insured, and in .	Development Feasibility: analysis would suggest that in the current market, without significant Government intervention and support, private sector delivery of the additional flood immune floorspace (podium) within the town centre is highly unlikely. Whilst largely immune to flood damage, the risk is creation of an “island” without all-weather access and incapable of providing key services in times of flood. Critical mass: when feasible, delivery of podium based retail requires a level of	Timing: Given the identified location requires both significant infrastructure completion and residential development and take-up, the likely delivery timing of the centre is assumed to be a longer term prospect. Community Need: Does not cater for exiting latent demand and community need. The centre would be both immune to flood risk and damage and able to provide for key community needs in times of a flood event.	Location Requirement: The centre would need to be located on a site that had strong existing access and exposure qualities and proximate to growing Katherine East population. Staging: The centre would need to be staged, with potential controls and/or floorspace caps to limit expansion in-line with retail demand, in order to minimise impacts on the existing Town Centre. Based on the preceding analysis, staging could include a Stage 1 Neighbourhood size	Location Requirement: The centre would need to be located on a site that had strong existing access and exposure qualities and proximate to growing Katherine East population. Retail Cap: The centre would need controls and/or floorspace caps to limit expansion development area, in order to minimise impacts on the existing Town Centre. Based on the preceding analysis, we would suggest a neighbourhood size development of 5,000sq.m – 6,000sq.m (Inc. full-line supermarket) by 2017/18.	Location Requirement: The centre would need to be located on a site that is both immune to flood risk and damage and characterised by strong existing access and exposure qualities. Co-location with either a new Town Centre / Neighbourhood Centre may amplify impact on existing town centre amenity (i.e. trip generation, vacancy etc.). Retail Cap: The centre would need controls and/or floorspace caps to limit expansion development area, in order to minimise impacts on the existing Town Centre.

	Continued Town Centre Development without Flood Mitigation	Continued Town Centre Development with Flood Mitigation	Development of Second Town Centre as designated in KLUP	Development of Alternate Second Town Centre	Development of a neighbourhood centre	Allow for selective out-of-Centre showroom development
Implications (cont.)	<p>any case could not be funded from the current pool.</p> <p>Is not immune to risk of flooding and does not provide key services in times of flood</p>	<p>critical mass to be viable, based on typically a large anchor and strong specialty support (i.e. greater than 10,000sqm).</p> <p>Integration/Impact: Creation of large standalone podium centre, outside of core retail precinct is unlikely to be readily integrated into existing town centre fabric and as such likely to incur similar trading impacts as if developed elsewhere. Likely impact the viability of future second town centre.</p> <p>Site Availability – Limited available large sites. No sites large enough to cater for all of future demand to 2031.</p>		<p>development of 5,000sq.m – 6,000sq.m (Inc. full-line supermarket) by 2017/18 and a Stage 2 Town Centre expansion of an additional 15,000sq.m by 2027/28.</p> <p>The centre would be both immune to flood risk and damage and able to provide for key community needs in times of a flood event.</p>	<p>The centre would be both immune to flood risk and damage and able to provide for key community needs in times of a flood event.</p> <p>Development may delay and impact the viability of a future second town centre at the identified KLUP site.</p>	<p>The preceding analysis indicates current gap in bulky type goods of approximately 2,000sq.m growing to 4,000sq.m by 2031. We would also envisage given the opportunity there would be relocation demand from high risk retailers within the town centre of up to 1,000sq.m</p> <p>On its own, this scenario does not respond to overall community need and shortage in other key retail areas (i.e. Food, liquor, grocery, food catering et</p>
Conclusion	<p>An unrealistic scenario given the significant delivery risk associated with cost implications of flood damage, insurance issues and business disruption.</p> <p>Does not address community need in times of flood event.</p>	<p>Represents a high delivery risk requiring significant Government support and intervention to realise.</p> <p>However there is longer term potential to offset costs with successful JV/PPP.</p> <p>From an impact perspective it is largely considered the same as an out-of-centre development, due to location of available sites and integration issues with podium based designs.</p> <p>Does not address community need in times of flood event.</p>	<p>Does not meet current community demand for retail floorspace or resolve current issue of under-investment.</p> <p>However does provide a relatively low impact long-term solution to cater for the future needs of the community.</p>	<p>Supports investment, whilst providing for a current level of retail under supply.</p> <p>Would need to meet key locational criteria, which could impact the urban fabric and future planning of residential growth and development in the town.</p> <p>Staging and uses would need to be controlled so as to minimize impacts on existing retailers within the town centre.</p> <p>Supports community need in times of flood event.</p>	<p>Supports investment, whilst providing for a current level of retail under supply.</p> <p>Would need to meet key locational criteria. Land sizing and uses would need to be controlled so as to minimize impacts on existing retailers within the town centre.</p> <p>Has potential to impact the future viability of a second town centre. Supports community need in times of flood event.</p>	<p>Supports local investment and need for showrooms floorspace within the homewares / bulky goods sector.</p> <p>On its own does not address total level of current under investment. Minimal impact on town centre traders.</p>

Appendices

Appendix A – Katherine Trade Area



Appendix B – Socio-Demographic Profile

Katherine Township main trade area - socio-demographic profile, 2011



Source: ABS Census of Population & Housing, 2011; MacroPlan Dimasi

Appendix C - Apparent Viability of Flood Mitigated Commercial within the Katherine Town Centre

Simple Residual Land Value Model (Hypothetical Podium Retail Development)					
Value					
	Rent		Yield		Capitalisation
Rent & Yield	375	per sq m	7.25%		
Building Value (per sq.m)			\$5,172		
	Quantity				
Building Value	10,000	sq m @	\$5,172		\$51,724,138
Less					
Buyers Costs			4.00%		\$2,068,966
Net Receipts					\$49,655,172
Costs					
Building Cost M2 / \$ M2	10,000	sq m @	\$3,000		\$30,000,000
Car Parking Cost	650		\$14,200		\$9,230,000
Fees	% of all construction		8.0%		\$3,138,400
Marketing & Sales (% of value)	% of Building Value		2.0%		\$1,034,483
Other Costs (% of build costs)	% of build costs		3.0%		\$900,000
Construction Finance (Years / Finance Rate)	2.00	Years @	6.0%		\$2,658,173
Void Finance (Years / Finance Rate)	0.50	Years @	6.0%		\$1,408,832
Developers return (% of cost)			20.0%		\$9,673,977
Total Costs					\$58,043,865
Residual Land Value When the Scheme is Sold					-\$8,388,692
NPV @ a discount rate p.a. of			6.0%		-\$9,792,072
Less: Costs of acquisition	% of residual value		4%		\$391,683
Residual Value					-\$10,183,755

Note: Excludes GST

Source: MacroPlan Dimasi 2015

Appendix D - Apparent Viability of At-Grade Commercial within Katherine

Simple Residual Land Value Model (Hypothetical At-Grade Retail Development)					
Value					
	Rent		Yield		Capitalisation
Rent & Yield	375	per sq m	7.50%		
Building Value (per sq.m)			\$5,000		
	Quantity				
Building Value	10,000	sq m @	\$5,000		\$50,000,000
Less					
Buyers Costs			4.00%		\$2,000,000
Net Receipts					\$48,000,000
Costs					
Building Cost sq.m / \$ sq.m	10,000	sq m @	\$2,400		\$24,000,000
Car Parking Cost	650		\$3,100		\$2,015,000
Fees	% of all construction		8.0%		\$2,081,200
Marketing & Sales (% of value)	% of Building Value		2.0%		\$1,000,000
Other Costs (% of build costs)	% of build costs		3.0%		\$720,000
Construction Finance (Years / Finance Rate)	1.50	Years @	8.0%		\$1,788,972
Void Finance (Years / Finance Rate)	0.50	Years @	8.0%		\$1,264,207
Developers return (% of cost)			20.0%		\$6,573,876
Total Costs					\$39,443,255
Residual Land Value When the Scheme is Sold					\$8,556,745
NPV @ a discount rate p.a. of			6.0%		\$7,615,474
Less: Costs of acquisition	% of residual value		4%		\$304,619
Residual Value					\$7,310,855

Note: Excludes GST

Source: MacroPlan Dimasi 2015

Appendix E - Retained Retail Expenditure by Category 2014-2031

Katherine Township main trade area - retained retail expenditure by category (\$M), 2014-2031*								
Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2014	87.1	22.0	5.5	9.7	2.5	8.9	3.4	139.1
2015	90.9	22.9	5.8	10.1	2.6	9.3	3.6	145.1
2016	94.8	24.0	6.0	10.5	2.7	9.7	3.7	151.4
2017	98.9	25.1	6.2	10.9	2.8	10.2	3.9	157.8
2018	103.1	26.2	6.5	11.3	2.9	10.6	4.0	164.6
2019	107.6	27.4	6.7	11.7	3.1	11.1	4.2	171.8
2020	112.4	28.7	7.0	12.2	3.2	11.6	4.4	179.4
2021	117.4	30.0	7.2	12.7	3.3	12.1	4.6	187.4
2022	122.6	31.4	7.5	13.2	3.5	12.7	4.8	195.6
2023	128.0	32.8	7.8	13.7	3.6	13.2	5.0	204.2
2024	133.7	34.3	8.1	14.2	3.8	13.8	5.2	213.1
2025	139.5	35.9	8.4	14.7	3.9	14.4	5.4	222.4
2026	145.7	37.6	8.8	15.3	4.1	15.1	5.7	232.2
2027	152.0	39.3	9.1	15.9	4.2	15.8	5.9	242.2
2028	158.6	41.1	9.5	16.5	4.4	16.5	6.1	252.6
2029	165.4	42.9	9.8	17.2	4.6	17.2	6.4	263.5
2030	172.6	44.9	10.2	17.8	4.8	18.0	6.7	274.8
2031	180.0	46.9	10.6	18.5	5.0	18.8	6.9	286.7
Average annual growth (\$M)								
2014-2026	4.9	1.3	0.3	0.5	0.1	0.5	0.2	7.8
2014-2031	5.5	1.5	0.3	0.5	0.1	0.6	0.2	8.7
Average annual growth (%)								
2014-2026	4.4%	4.6%	3.9%	3.9%	4.2%	4.5%	4.2%	4.4%
2014-2031	4.4%	4.6%	3.9%	3.9%	4.2%	4.5%	4.2%	4.3%

**Inflated dollars & including GST*
Source: MarketInfo; MacroPlan Dimasi

Appendix F - Retained Retail Demand by Category 2014-2031

Katherine Township main trade area - retained retail demand by category (sq.m), 2014-2031*								
Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2014	11,498	3,952	1,831	3,199	704	1,765	680	23,627
2015	11,875	4,089	1,882	3,289	726	1,825	701	24,388
2016	12,267	4,233	1,936	3,382	749	1,887	723	25,176
2017	12,668	4,379	1,990	3,476	772	1,951	746	25,982
2018	13,084	4,532	2,046	3,573	796	2,017	770	26,818
2019	13,521	4,692	2,104	3,675	821	2,087	794	27,695
2020	13,979	4,861	2,166	3,782	847	2,160	820	28,616
2021	14,461	5,038	2,230	3,895	875	2,237	847	29,582
2022	14,952	5,219	2,295	4,008	903	2,315	875	30,568
2023	15,454	5,405	2,361	4,123	932	2,396	903	31,574
2024	15,973	5,597	2,429	4,241	962	2,479	932	32,613
2025	16,510	5,796	2,499	4,363	993	2,565	962	33,687
2026	17,065	6,003	2,570	4,488	1,024	2,654	993	34,797
2027	17,631	6,214	2,643	4,615	1,056	2,745	1,025	35,930
2028	18,210	6,431	2,717	4,743	1,089	2,838	1,057	37,085
2029	18,808	6,655	2,793	4,876	1,123	2,934	1,090	38,279
2030	19,427	6,887	2,871	5,012	1,158	3,034	1,124	39,512
2031	20,065	7,127	2,951	5,151	1,194	3,137	1,160	40,785
Average annual growth (\$M)								
2014-2026	463.9	170.9	61.6	107.4	26.7	74.1	26.1	930.8
2014-2031	504.0	186.8	65.9	114.9	28.8	80.7	28.2	1,009.3
Average annual growth (%)								
2014-2026	3.3%	3.5%	2.9%	2.9%	3.2%	3.5%	3.2%	3.3%
2014-2031	3.3%	3.5%	2.8%	2.8%	3.2%	3.4%	3.2%	3.3%

**Inflated dollars & including GST*
Source: MarketInfo; MacroPlan Dimasi