

13. VICTORIA GARDENS AND THE FUTURE SUPPLY OF RETAIL FLOORSPACE

13.1 Future Supply of Retail Floorspace

Increasing competition in the form of additional retail floorspace will begin to emerge during 2003. In addition, to the Victoria Gardens development, which is scheduled to open in March 2003, the 'QV' development in the Melbourne CBD will deliver an additional 45,000 sq.m., of retail floorspace and a tenant mix including Big W, Safeway, Harvey Norman, Collins Book Depot together with a range of themed hospitality operations. Similarly, the Gandel Retail Group is seeking permission to expand the Chadstone Shopping Centre by 40,500 sq.m., or nearly 40%. The expansion will accommodate a mix of general retail and homewares retailers over two levels in an open-air shopping strip format. The Docklands precinct is also expected to deliver additional retail floorspace targeted at the fashion, hospitality and homewares sectors, over the next 15 years.

There is currently 2.8 million sq.m., or retail floorspace across metropolitan Melbourne, with 2.2 million sq.m. (77%) of this contained in sub-regional or larger centres. With the population of Metropolitan Melbourne forecast by the Victorian Department of Infrastructure to increase by approximately 267,000 people, or 8%, over the next 10 years there is the potential for an additional 225,000 sq.m., of retail floorspace to be provided based upon existing per capita rates of provision. Of this amount, approximately 175,000 sq.m., may be expected to be contained in larger centres, based upon the current distribution of floorspace across the hierarchy of centres.

While the additions to the retail floorspace which are forecast to occur over the coming years may appear excessive, they are generally consistent with future population growth and hence likely to be readily absorbed by the market. However, whereas previous additions to floorspace have generally occurred in outer suburban locations, the current wave of new floorspace has increasingly been located within inner urban areas. This will increase the level of competition faced by centres within the City of Yarra, although the extent to which this occurs will be dependent upon the ability of centres to be differentiated through focusing upon niche markets, and the themeing and promotion of centres. A failure on the part of Council and businesses to take a strategic response to new centres may impact negatively upon performance.

13.2 Victoria Gardens

The Victoria Gardens development will introduce 48,650 sq.m. of additional retail floorspace into the City of Yarra. Taking the format of a sub-regional shopping centre, it will comprise:

- 26,000 sq.m. of retail floorspace on a lower level (major tenants: Kmart, Coles Supermarket, Freedom Furniture);
- 22,500 sq.m. Ikea store on an upper level; and
- An 8 screen cinema.

The centre is located approximately:

- 1.5 km east of the Victoria Street activity;
- 1.7 km from Bridge Road retail core; and
- 800 metres from the Bridge Road homewares precinct.

Also significant however is the location of the development relative to other retail centres east of the Yarra River with:

- Glenferrie Road, Hawthorn, located approximately 1.3 km to the east, anchored by Coles Supermarket; and
- High Street, Kew, located approximately 1.2 km north east of the site and serviced by a small boutique supermarket.

The consultants experience with conducting in-centre surveys in other areas of Melbourne indicates that the primary attraction of larger centres such as Southland and Chadstone are the variety of stores and particular types of stores. Similarly, generally 10-25% of shoppers in a strip centre will also visit a large regional shopping centre on at least a weekly basis.

The results of the in-centre surveys conducted in the five activity centres within the City of Yarra indicate that 60%-75% of local residents walked to an activity centre. Given that there is only limited residential development immediately to the west of the Victoria Gardens site, it is anticipated that the impact of this new development upon lower-order retailing (e.g. food) in existing activity centres will be limited. The greatest impact is likely to occur immediately to the east of the development, where there is a limited supply of supermarkets and a greater tendency to use private motor vehicles.

The inclusion of a discount department store (Kmart) within the development will impact more significantly upon the shopping patterns of local residents, given the higher-order nature of goods being offered. Similarly, some expenditure from local workers may be diverted away from existing activity centres towards Victoria Gardens. Non-food shopping accounts for 35% and 29% of trips by local residents to Bridge Road and Swan Street respectively. Similarly 31% and 39% of trips by local workers to Bridge Road and Swan Street respectively are for non-food shopping. Given the proximity of both Swan Street and Bridge Road to the Melbourne CBD, these centres have already proven that they are sufficiently unique to compete with larger centres. The provision of 2,400 car spaces will however significantly increase the attractiveness of Victoria Gardens particularly for those workers who have access to a motor vehicle.

Overall, the product overlap between Swan Street and Bridge Road and a discount department store is considered minimal. The nearest discount department store to Richmond within Melbourne's eastern corridor is at Camberwell (Target), approximately 4 km away. The potential exists for the Victoria Gardens development to draw from the catchment of this existing store. Herein lies the opportunity for activity centres at Victoria Street, Bridge Road and Swan Street to attract additional visitors, through being able to offer retail outlets that complement, rather than compete, with Victoria Gardens. Examples of this include:

- Cafes and restaurants,
- Homewares retailers and
- Factory clothing outlets.

The key tenant within the Victoria Gardens centre will be a 22,500 sq.m. Ikea store. The existing homewares precincts within Richmond are characterised by "high-end" retailers particularly with Church Street (south of Swan Street) and to a lesser extent in Bridge Road. The target market for Ikea is generally low-mid budget purchasers, and as such differs from that of existing homewares outlets in Richmond. The addition of Ikea will however act to complement the existing range of homewares offered within Richmond, with the potential for greater comparison-shopping. The net impact is likely to be an increasing number of visitors being attracted into Richmond generally. The inclusion of an 8 screen Cinema complex in the Victoria Gardens development will also act to increase the number of visitors into Richmond. The potential exists for complementary activities such as cafes and restaurants in Victoria Street, Bridge Road and Swan Street to benefit from this, particularly during evenings and weekends.

Overall, it is expected that the Victoria Gardens development will have a positive net impact upon activity centres in Richmond through increasing the number of visitors to the area, while offering a retail format which does not directly compete with existing retail outlets. The scale of any benefits to local centres will be dependent upon creating an awareness of their proximity to Victoria Gardens via the creation and promotion of recognisable precincts. Given that the majority of visitors to Victoria Gardens will travel using a private motor vehicle, traffic and parking management within activity centres will need to be addressed by Council.