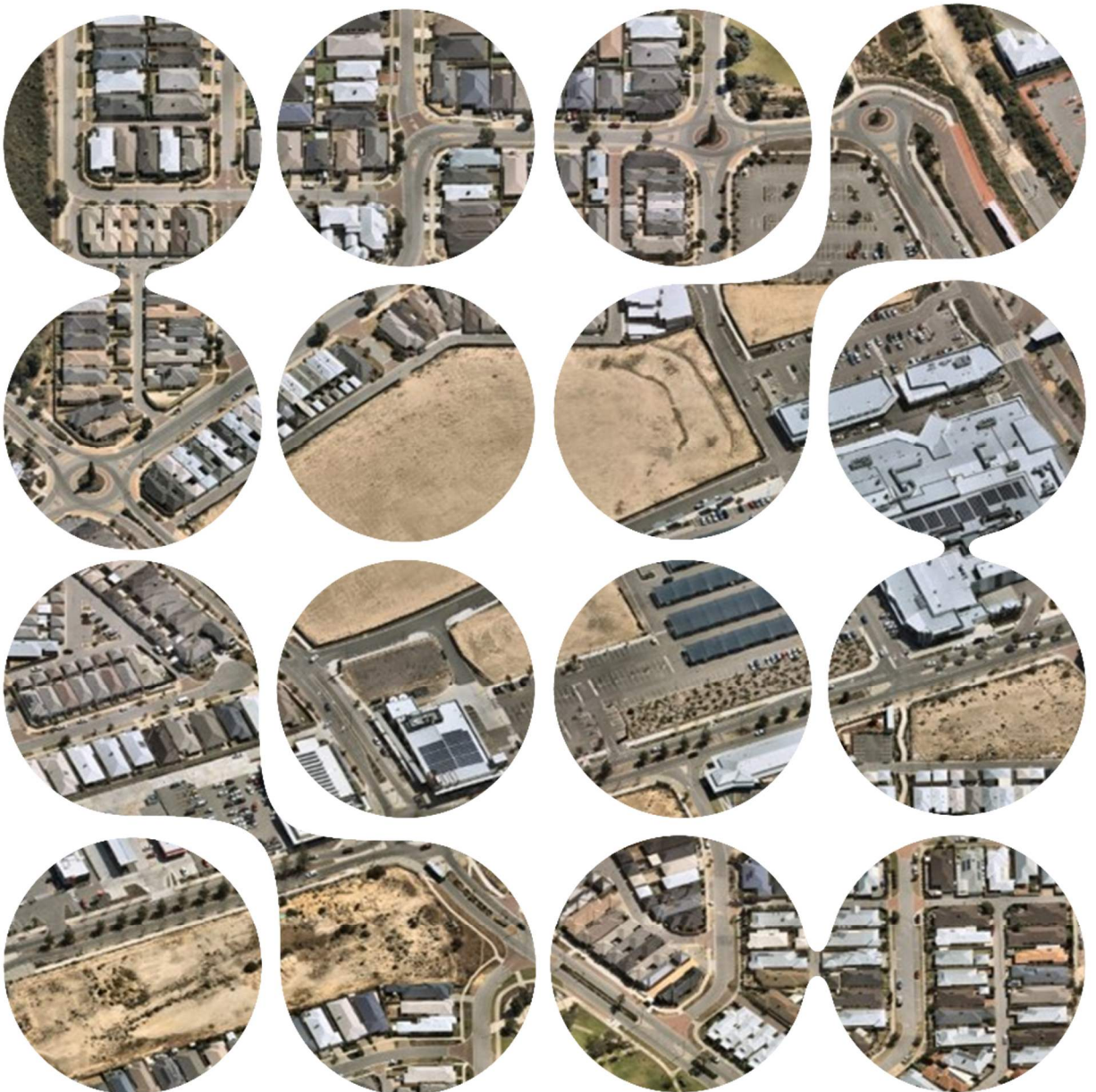


Proposed Showroom & Mixed Use development, Butler

Land use demand statement

Prepared for:
Axiom Properties

10 December 2019



Deep End Services

Deep End Services is an economic research and property consulting firm based in Melbourne. It provides a range of services to local and international retailers, property owners and developers including due diligence and market scoping studies, store benchmarking and network planning, site analysis and sales forecasting, market assessments for a variety of land uses, and highest and best use studies.

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This report should be read in its entirety, as reference to part only may be misleading.

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1

Introduction

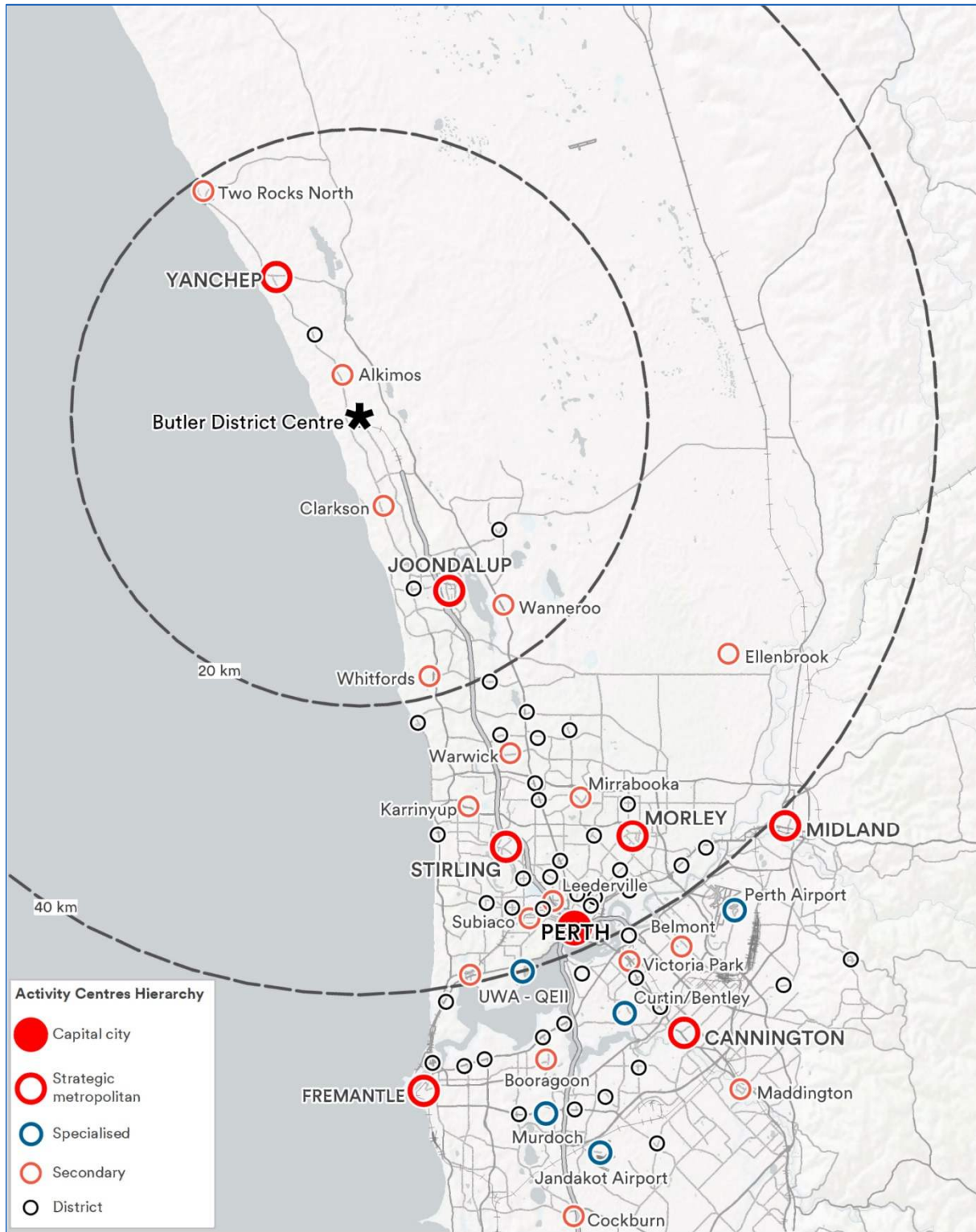
Axiom Properties is proposing a showroom and bulky goods development in the Butler District Centre. The land is part of larger site owned by Woolworths, previously approved for a district shopping complex. Those plans were scaled back due to the weakening WA economy and structural changes in the discount department store sector, resulting in the proposed Big W tenancy withdrawing from the proposal. In its place, a smaller supermarket development, known as Butler Central, opened in December 2017.

The residual 3.3 hectares of land can be approved for show room use however the Butler Activity Centre Structure Plan envisages conventional retail, residential and other mixed-uses on the site, due to its central position and proximity to Butler Station.

This report assesses the short to medium-term demand for retail and multi-level residential use in the Butler District Centre. It provides commentary on the demand for showroom uses and the prospect of the current application forming an interim land use until higher-level retail, residential and other uses can be developed in the longer term.

The site and surrounds were inspected in preparing this report.

Figure 1—Regional context



Source: Deep End Services; MapInfo

2

Butler District Centre

2.1 Description

Butler District Centre is an emerging mixed-use retail, commercial and residential centre in Perth's northern growth corridor. It is situated:

- 14 km north of the Strategic metropolitan centre of Joondalup;
- 6.4 km north of the established Secondary Centre of Clarkson; and
- 3.1 km south of where the future Secondary Centre will be established at Alkimos.

Butler also has local competition from neighbourhood centres at Brighton (1.1km south), Trinity Village (1.1 km north) and Alkimos (2.1 km north) – all with mid-large sized supermarkets and adjoining specialty shops.

Under State Planning Policy 4.2, 'Activity Centres for Perth & Peel', District Centres are listed as having the following typical characteristics and performance targets:

- A role focussing on the daily and weekly needs of residents.
- Trade area population of 20,000-50,000 people;
- Focal point for bus networks
- Typical retail stores including discount department stores, supermarkets, convenience goods, small scale comparison shopping, personal services and some specialty shops.
- District level offices and local professional services.

Development of the centre was triggered by the rapid spread of housing from Brighton through Butler, towards Alkimos from 2010 onwards, the approval of the Butler Activity Centre Structure Plan in 2013 and the opening of Butler railway station on the extended northern rail line in September 2014. The construction of

Butler Boulevard from Marmion Avenue through to the station precinct in late 2013 was followed by the first commercial developments.

The sequence of commercial developments at Butler in the last six years has been as follows:

2014

- Masters Home Improvement opened in March with other large format retailers such as Petstock and Repco at the intersection of Marmion Avenue and Butler Boulevard. After the closure of Masters in late 2016, the 17,400 sqm building was redeveloped and rebranded HomeCo, now housing Amart Furniture, Spudshed, Spotlight and Anaconda. McDonalds opened in late 2014 in the same precinct.
- Butler Railway Station opened in September.

2015

- Red Rooster and KFC opened on Butler Boulevard, east of McDonalds

2016

- Coles Express opened in June and ALDI in July at the intersection of Butler Boulevard and Camborne Parkway.

2017

- Butler Boulevard Medical Centre and Superchem Pharmacy opened at the intersection of Butler Boulevard and Doncaster Grange.
- The 6,900 sqm Big Box Butler was developed opposite HomeCo Butler on Butler Boulevard. It houses several large format retailers such as Rebel, BCF and Supercheap Auto.
- 7-Eleven opened at the east end of Butler Boulevard.
- In late 2017 the 10,100 sqm Butler Central Shopping Centre opened with a Woolworths supermarket (3,797 sqm) four mini-majors and 30 specialty tenancies. Nine of the 30 shops are vacant today.

2018

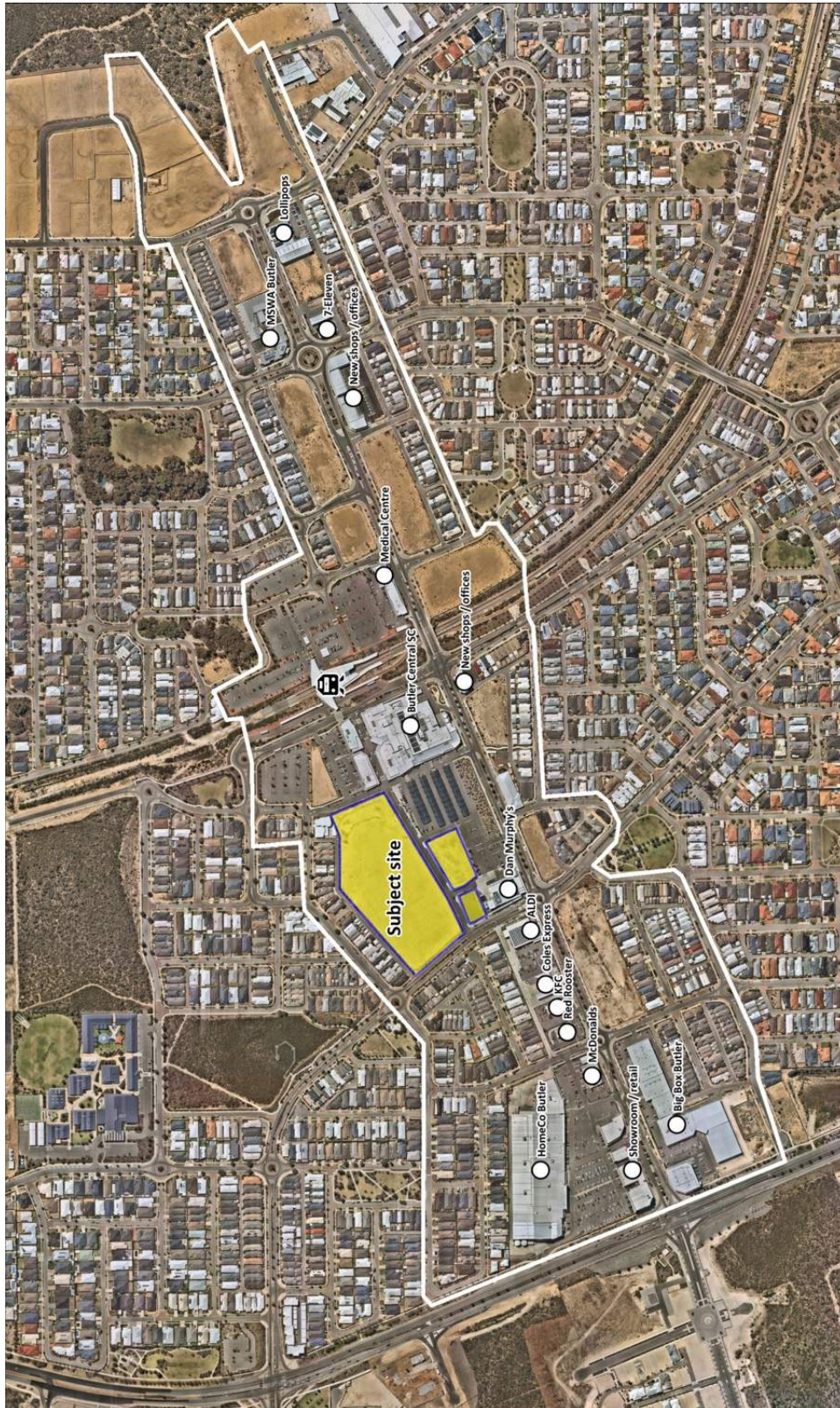
- Lollipops Children's Play centre at the eastern end of Butler Boulevard.

2019

- The Multiple Sclerosis Society of Western Australia (MSWA) developed its Butler facility at the east end of Butler Boulevard providing allied health and nursing services and high support accommodation.
- A retail / office / showroom development of 1,800 sqm is now being finished on the corner of Butler Boulevard and Beneden Street.

The current pattern of major land uses with the proposed development site is shown in Figure 2.

Figure 2—Butler District Centre land uses – December 2019



Source: Nearmap (Oct 2019), Deep End Services

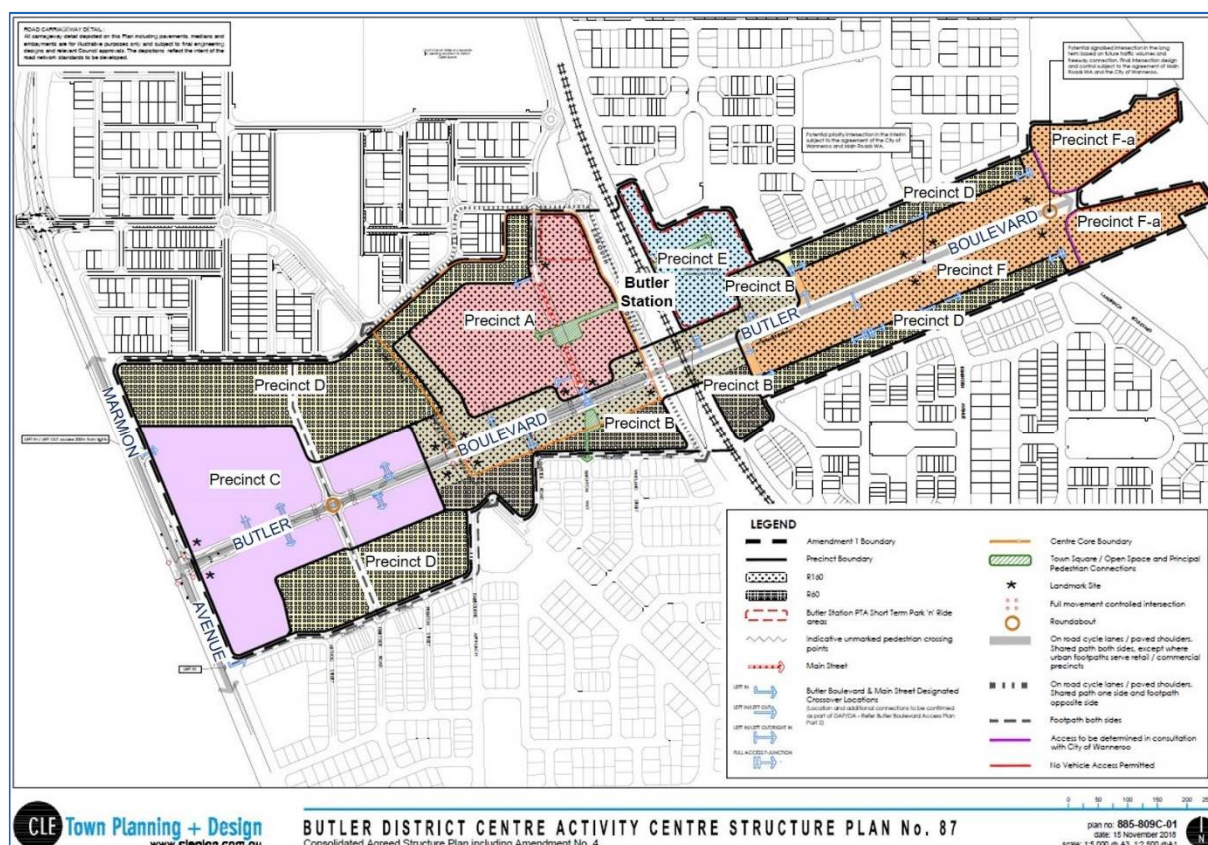
2.2 Butler Activity Centre Structure Plan

The Butler District Centre Activity Centre Structure Plan was adopted by the City of Wanneroo in February 2013 and amended in November 2018.

The stated vision is 'The Butler District Centre will be an attractive, diverse, high intensity mixed use place for work, recreation and shopping functions, that the community want to visit, stay and enjoy regularly'.

The Structure Plan establishes a linear centre, extending along and either side of the 1.6km section of Butler Boulevard from Marmion Avenue to Butler Station (900 metres) and beyond to Landbeach Boulevard (700 metres).

Figure 3—Butler District Centre Activity Centre Structure Plan map



Source: City of Wanneroo

The Structure plan identifies 6 precincts (Precincts A-F), each with their own objectives and primary permissible uses. These are detailed in Table 1.

In broad terms, Precinct A located directly west of Butler Station is the designated core area and the focus for conventional retailing and high intensity district centre uses. The primary permissible uses include most forms of conventional retailing (department store, supermarket, shop, liquor store, pharmacy, restaurant, take away food), offices, cinema, hotel, medical centre and multiple dwellings.

About two-thirds of Precinct A is developed with the Butler Central Shopping Centre and its car park and to the north, surface parking for Butler Station. The residual vacant land in Precinct A is the site of the Axiom's development application.

Precincts B and F are similar mixed use areas extending along Butler Boulevard where shops and multiple dwellings are envisaged uses.

Precinct C is the location of retail showrooms, bulky goods uses and fuel and food uses requiring a main road frontage.

Precinct D, surrounding the commercial precincts is for higher density residential use and aged car or health-related accommodation needs. Precinct E adjoins the Butler Railway Station and is currently a commuter car park with aspirations for higher density transit-oriented development in the future.

Table 1—Structure Plan objectives and primary permissible uses

Region	Precinct objective	Primary permissible uses
Precinct A	Precinct A is the Main Street centre core, maximising activity and intensity adjoining the Butler rail station	Bank, Cinema, Department Store, Hotel, Liquor Store, Medical Centre, Multiple Dwelling, Office, Pharmacy, Restaurant, Shop, Supermarket, Takeaway Food
Precinct B	Precinct B may include a mix of office, commercial, consultancy, retail and residential type uses that are centred on Butler Boulevard	Bank, Cinema, Hotel, Liquor Store, Medical Centre, Multiple Dwelling, Office, Pharmacy, Restaurant, Shop, Takeaway Food, Veterinary Hospital
Precinct C	Precinct C, forms a commercial gateway to the centre and allows for bulky goods, showrooms and other similar commercial uses at the edge of the centre	Bank, Cinema, Convenience Store, Hardware Store, Liquor Store, Medical Centre, Multiple Dwelling, Office, Pharmacy, Restaurant, Service Station, Showroom, Takeaway Food, Veterinary Hospital
Precinct D	Precinct D is a higher density residential and mixed use frame, providing a transition between the non-residential core of the centre and the surrounding residential areas	Aged or Dependent Persons' Dwelling, Grouped Dwelling, Multiple Dwelling, Nursing Home, Single House
Precinct E	Precinct E allows for intensive land uses consistent with the principles of transit oriented development. The PTA at-grade park and ride is a short term use that will ultimately be redeveloped to maximize activity and use adjoining the Butler rail station	Bank, Childcare Centre, Cinema, Convenience Store, Hotel, Liquor Store, Medical Centre, Multiple Dwelling, Office, Pharmacy, Restaurant, Shop, Takeaway Food
Precinct F	Precinct F provides for a combination of commercial, office and residential mixed use in a linear format along Butler Boulevard. This precinct will evolve over time to connect the transit oriented station precinct to the (future) high traffic environment of the Mitchell Freeway extension	Bank, Cinema, Hardware Store, Hotel, Liquor Store, Medical Centre, Multiple Dwelling, Office, Pharmacy, Restaurant, Shop, Showroom, Takeaway Food, Veterinary Hospital

Source: City of Wanneroo

An assessment of the occupied and vacant land within the commercial precincts of the District Centre is shown Figure 4 and summarised in Table 2. The findings are:

- Most of the available land in Precinct C, the showroom or 'gateway' area, has been developed with showroom or bulky goods uses and food and fuel pad sites. There is little or no other Precinct C-type land in the District Centre where these uses can expand to.
- Large areas of Precinct B (35%) and F (54%) are vacant. The Butler Boulevard frontage, short depth of these precincts and permissible use schedule suggests ground floor retail will be a significant part of these land holdings. A retail development at the east end of 1,800 sqm is being finished which will absorb demand for peripheral retail tenancies and offices for some time. The residual sites along Butler Boulevard will take longer to develop and attract active ground floor retail uses.

- The retail core (Precinct A) is partly developed however the residual 3.0 hectares of land is a significant holding and capable of accommodating a significant level of retail floorspace or other uses.
- In summary, about one-third (or 14 ha.) of the commercial land within the District Centre is vacant and still available for development. This excludes commuter car parks where higher density development is anticipated in the longer term.
- At this stage, the centre is developed at a low-density suggesting there is little demand for upper floor uses. Only several buildings recently completed or under construction have included small sections of upper floor commercial or residential use. It remains to be seen whether this space will be successfully let.

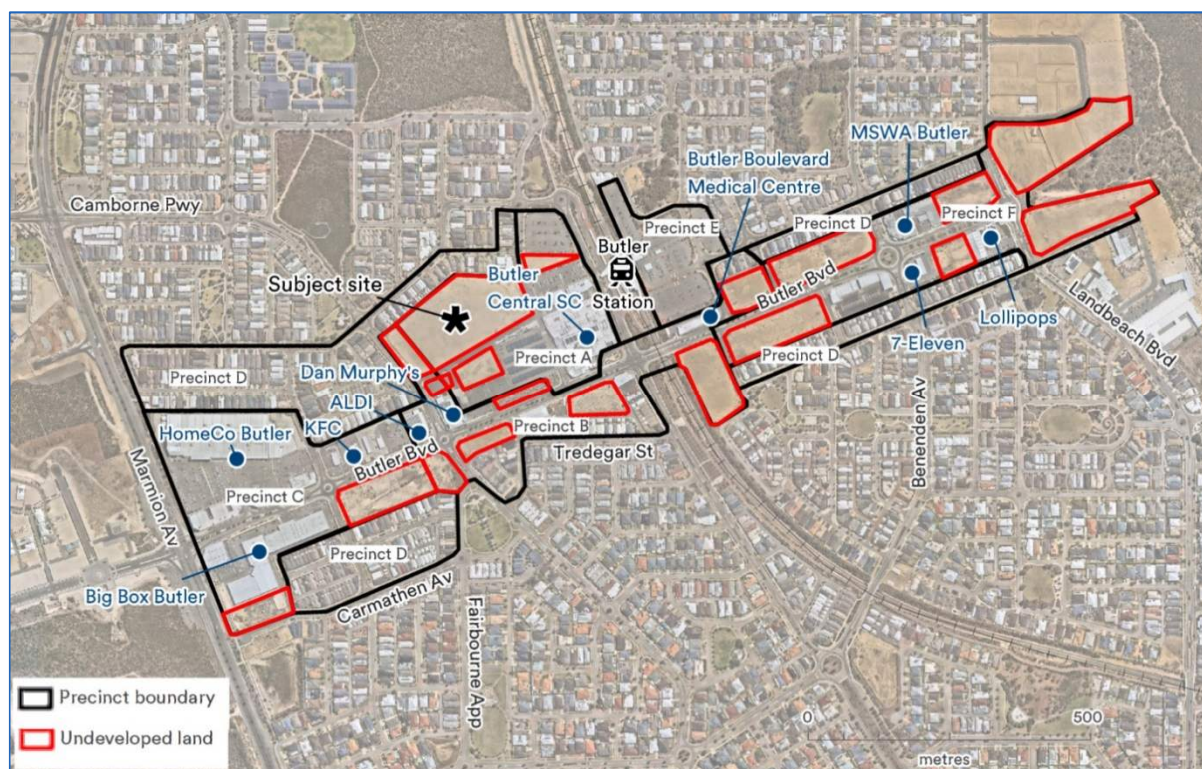
In conclusion, the Butler Centre has considerable land available for retail and mixed use development outside the subject site. These other vacant land holdings can accommodate retail uses if the demand is there however they are not well suited to the larger retail tenancies envisaged in the current development application.

Table 2—Land development summary

Source: Deep End Services; MapInfo

District Centre precinct	Land area	Developed		Undeveloped	
	ha.	ha.	%	ha.	%
A	7.9	4.9	62.3%	3.0	37.7%
B	9.2	6.0	65.3%	3.2	34.7%
C	11.0	9.4	85.5%	1.6	14.5%
E	3.0	3.0	100.0%	0.0	0.0%
F	12.0	5.5	46.0%	6.5	54.0%
Total	43.1	28.9	67.0%	14.2	33.0%

Figure 4— Butler District Centre undeveloped land map



Source: Deep End Services; MapInfo; City of Wanneroo; Nearmap (19 October 2019)

2.3 Proposed development

The subject land is the residual sites of Woolworths' land holding outside the current buildings and car parking of Butler Central Shopping Centre.

The land comprises Lots 2813, 2815 and 2817 and is situated generally north and west of the existing centre (refer Figure 5). The main lot (Lot 2813) of approximately 2.6 hectares is an 'island' site with four surrounding roads. Two smaller lots are located on the south side of Central Avenue, opposite the 2.6 hectare site.

The proposal on the main site is a single level showroom development of approximately 13,840 sqm of leasable floorspace. The proposed building is set back on the northern half of the site, extending between Camborne Parkway and a connector road on the east boundary. Showroom tenancies range from a single 2,400 sqm tenancy to several at about 1,200 sqm down to others in the 300-500 sqm range. A large 2,000 sqm tenancy at the west end is shown as a gymnasium use but could also revert to a showroom tenant. Two smaller retail buildings on Central Avenue could be café, retail service or office tenancies.

Lots 2815 and 2817 on the south side of Central Avenue will provide smaller retail buildings and car wash premises.

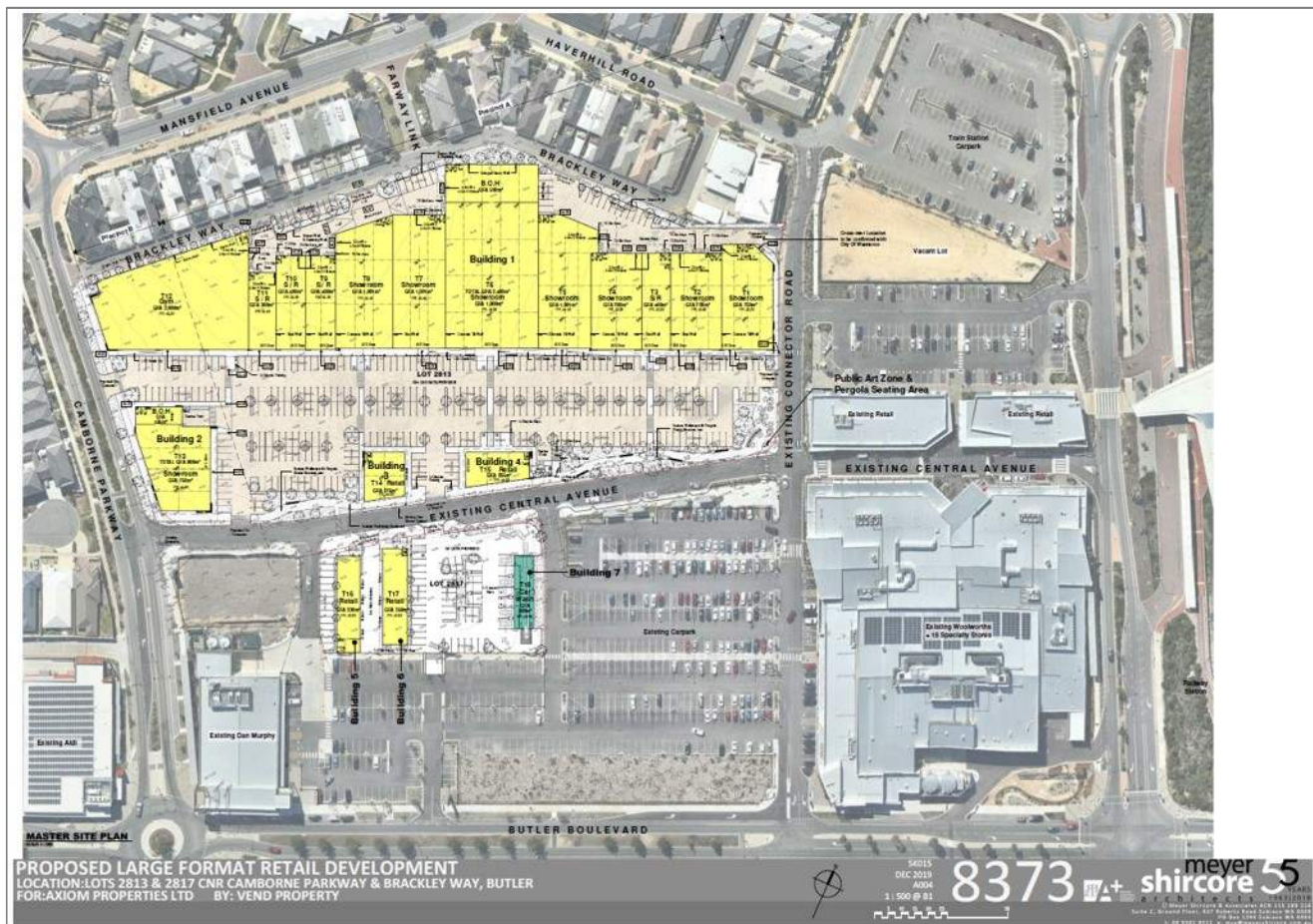
The main north-side complex will have 468 on-grade car spaces or a rate of 3.4 spaces per 100 sqm of floorspace. Access to the complex will be convenient via Camborne Parkway or via the internal collector roads through Butler Central.

Figure 5— Proposed development site



Source: Deep End Services; MapInfo; Nearmap (19 October 2019)

Figure 6— Proposed development plan



Source: Axiom Properties

3

Retail floorspace demand

3.1 Butler Central Butler Central opened in December 2017. It is a hybrid neighbourhood centre combining an internal mall-based complex around the Woolworths store (3,797 sqm) and an external 'main street' section with several purpose-designed food and beverage tenancies with sheltered dining areas.

Other external tenancies, including a medical centre, face the main western car park. A free-standing Dan Murphy's liquor store is situated west of the main car park.

The centre has 30 specialty shop tenancies and two mini-major tenancies comprising of Best & Less and Reject Shop.

In total, Butler Central is 10,124 sqm of gross leasable area and is serviced by 486 on-grade car spaces. Large areas of the western car park are under shade structures. The centre is substantial for a new neighbourhood centre, many of which are now built at a smaller scale with fewer shops.

The centre, and particularly Woolworths faces much stronger competition, than Woolworths anticipated when the site was purchased. The ALDI store on Butler Boulevard, Spudshed in Homeco and Coles at Trinity Village were probably not anticipated when the site was purchased.

Butler Central has struggled to lease its specialty shops with nine of the 30 small shops and restaurant / café tenancies vacant at the time of our inspection in November 2019. These vacancies tenancies are shown in Figure 7.

Vacancies in new centres are not unusual however this is a relatively high rate and underlines the challenges in filling small specialty shops in newly emerging areas. Vacant shops are also evident at Trinity Village and the street-based centre at Brighton to the south.

Notwithstanding the current challenges facing the DDS industry, the current leasing issues at Butler vindicate Woolworths' decision to not proceed with a much larger development stage. The construction of other shops elsewhere in Butler including cheaper premises on the periphery of the centre, provide further challenges to leasing premises in more costly developments.

Despite the vacant shops, Butler Central has a good range of food, general retail and service tenancies. The vacancies will fill over time as the catchment fills out.

Figure 7— Butler Central Shopping Centre tenancy plan



Source: Deep End Services; Fabcot Pty Ltd

In relation to the residual 2.6 hectare northern site - central to the former scheme by Woolworths for a Big W store - the only means by which this (now) surplus land could be developed in the short to medium term with conventional retail uses envisaged in the Structure Plan is by including either:

- a discount department store; or
- a full-line supermarket.

Each of these is considered in turn.

3.2 Discount Department Stores

The Discount Department Store (DDS) sector in Australia has been traditionally dominated by Big W (owned by Woolworths) and Kmart and Target (owned by Wesfarmers).

In the last 10 years, the DDS sector has come under increasing pressure from a range of market forces including (but not limited to):

- Over building of their store networks.
- A confused merchandise strategy, weak customer proposition and at times poor retail execution.
- Growth in fast fashion retailers, new international formats to Australia and smaller, nimble mini-major stores who can more readily adjust their ranges to new styles and fashions.
- Growth in on-line shopping.
- Changing tastes and preferences by consumers including a decline in spending on fashion and homewares and a shift to food, cafes and personal services.

These trends have seen Big W and Target post negative sales growth for most of the last 10 years. In other years where sales have risen slightly, profits have still fallen given the high and rising cost base of the businesses.

While Kmart repositioned itself on price and merchandise about 10 years ago which delivered strong results, it now also faces flat or negative sales.

In response to the sector wide down turn and specific business problems, both Big W and Target effectively stopped their new store development program about five years ago.

In this time Kmart was the only DDS brand opening new stores although in recent months there are indications that Kmart is also being more selective.

In April of this year Woolworths announced it would close 30 underperforming Big W stores and two distribution centres during the next three years.

In August 2019, Wesfarmers announced they would also shrink Target's network but declined to say the number of stores affected.

In this broader industry context, the decision by Woolworths not to proceed with the much larger Big W scheme at Butler can be understood as it placed the business itself at risk of developing a loss-making store and presented even greater challenges from a property perspective, as the larger centre created another 30-40 shops to lease.

Elsewhere in Perth's outer northern suburbs:

- Kmart, Target and Big W are all located at Lakeside Joondalup.
- Kmart and Target are at Ocean Keys (Clarkson Secondary Centre), 6km south of Butler.

Taking a line mid-way between Butler and Ocean Keys, the population north extending to Alkimos is 35,000 people with limited secondary catchments, necessary to support these large stores. Noting the larger and stronger centre at

Ocean Keys, the population of the corridor around Butler is simply not large enough to support a DDS. This is likely to be the case for some time.

The current design of Butler Central also makes it difficult to merge a DDS onto the complex. It is unlikely a DDS would locate on the 2.6 ha site without a strong physical connection to the existing Woolworths (which now appears difficult) or another new supermarket. Given Woolworths' ownership of the surplus land and the current distribution of supermarkets in and around Butler, a second supermarket on the site appears unlikely (see Section 3.3).

The next logical addition of a DDS in the corridor will be at the future Secondary Centre at Alkimos.

For all the above reasons, the addition of a DDS at Butler on the site appears unlikely in the short-medium term.

3.3 Supermarkets supply & demand

The second option to facilitate a substantial conventional shopping complex on the site, consistent with the Structure Plan, is to introduce a new supermarket.

Apart from the observation that Woolworths, as owner of the and operator of the just-opened supermarket at Butler Central, is unlikely to facilitate another competitor to themselves, there are other supply and demand factors at play.

Supermarkets in the outer northern corridor of Perth are shown in Figure 8 with a study area generally north of a line between the Butler and Brighton centres. As shown in Figure 8 and Table 3:

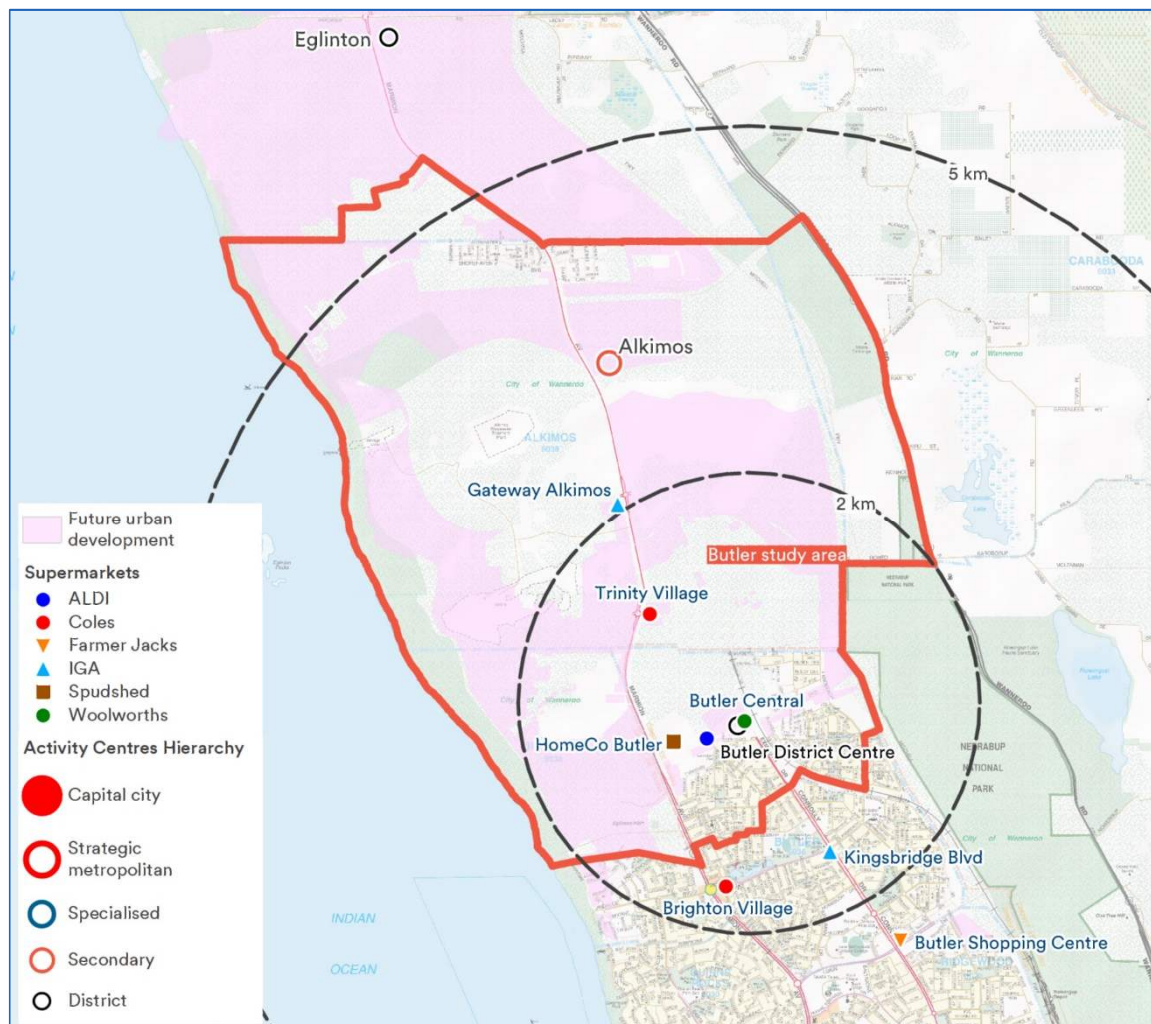
- There are 5 supermarkets in the study area occupying 13,951 sqm of floorspace yielding a rate of 0.68 sqm per resident. This is more than 50% higher than the metropolitan average (0.40 sqm) – or an over-provision of about 5,800 sqm.
- Within the study area all major supermarket banners are present with Woolworths, ALDI and Spudshed located in Butler itself and Coles located just to the north at Trinity Village.
- These four supermarkets have all been developed in the last 3 years. While the area is growing, given the high rate of provision some stores would be trading at less than optimal levels and there would be little appetite for additional stores in the area from this group.
- Three supermarkets in Butler is already a healthy rate of provision for a District Centre. The location of Coles just north and south, suggests there is more than enough supermarket space in Butler.
- Operators will already be looking north of Butler for the next supermarket opportunities at Eglinton and Alkimos.

**Table 3—
Supermarket
provision**

Region	Population (No.)		Change	Supermarkets	Floorspace	Provision
	(2016)	(2019)	(%/pa)	(No.)	(sqm)	(sqm/person)
Butler study area	15,494	20,459	9.7%	5	13,951	0.68
City of Wanneroo	194,779	208,129	2.2%	31	76,786	0.37
Perth	2,019,263	2,084,301	1.1%	350	826,399	0.40

Source: Deep End Services

Figure 8—Supermarkets and activity centres



Source: Deep End Services; MapInfo

3.1 Other local centres

The two nearest shopping centres outside the Butler District Centre are:

Trinity Village Alkimos (Coles)

- Anchored by a 3,500 sqm Coles with secured tenants being Liquorland, Trinity Discount Drug Store, Jupiter Medical & Dental Clinics and a childcare centre. There are 14 speciality stores with 3 remaining for lease.

Brighton Village (Coles)

- A neighbourhood centre anchored by a Coles of 2,800 sqm supported by nine specialty tenants, two of which are currently vacant.

4

Apartment demand

4.1 Perth distribution of multi-level apartments / units

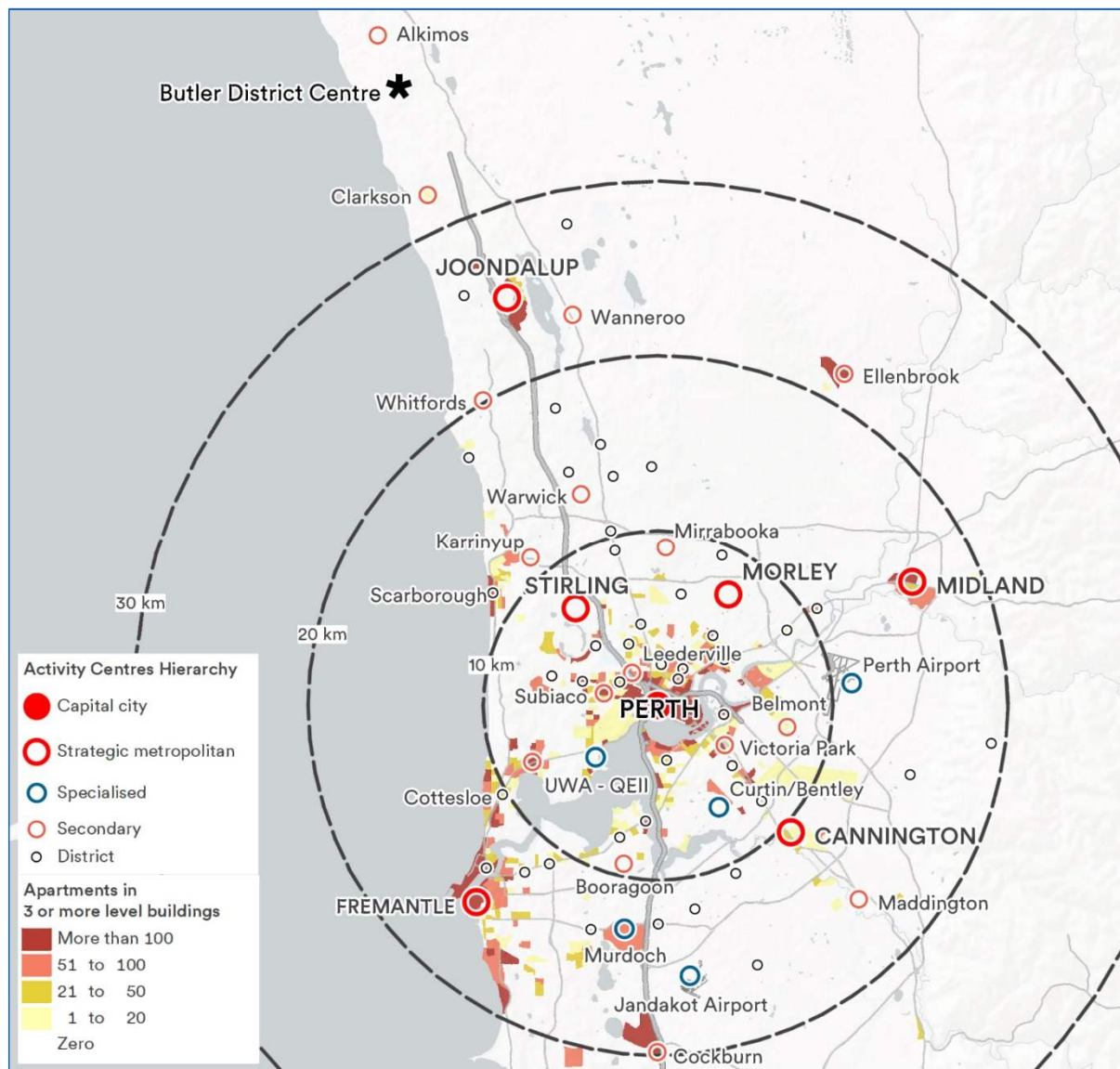
The Butler District Centre Structure Plan envisages multi-unit residential buildings or apartments in upper levels of mixed-used developments. In our view, in the foreseeable future there is little demand from owner occupiers or investors for this product and limited viability or financial return for project developers.

At the 2016 Census, Greater Perth had 41,968 apartments/units in buildings of 3 or more levels – or about 5% Perth’s dwelling stock.

- Of these, 31,779 or about 75% were located in and around the Perth CBD, close inner suburbs or close to the Swan River.
- A further 12% or 5,026 apartments were located in the affluent coastal suburbs of Scarborough, Cottesloe, Fremantle and North Coogee.
- The remaining 5,163 (12%) were scattered throughout metropolitan Perth with clusters in key activity centres such as Joondalup, Ellenbrook, Midland, Murdoch and Cockburn (refer Figure 9).

In Perth’s northern suburbs (generally north of Scarborough) there were 1,155 apartments in buildings of 3 or more levels – or only 2.8% of Perth multi-level apartment stock in 2016. Most of this supply was in the Joondalup Strategic Centre which presents a more viable market with tertiary students, major office developments and staff in major institutions such as ECU and Joondalup Health.

Figure 9—Perth high-rise apartments



Source: Deep End Services; ABS; MapInfo

4.1 Apartment / unit sales

The perceived investment value of units and apartments in outer areas will drive supply and demand. The apartment/unit market in Perth has experienced a volatile decade since 2008.

To demonstrate this, the median apartment/unit price over a 10 year period for a selection of six outer suburbs is compared to six inner suburbs (refer Table 4).

Since 2008 the median price of apartment/unit price across the six inner suburbs has increased marginally by 3.5% from \$496,290 to \$513,439 however there were wide variations between areas and in the five years before and after 2013.

Values in Scarborough, Fremantle and South Perth increased over the 10 years but fell in Perth CBD, Subiaco and Cottesloe. Between 2008 and 2013, median values across the 6 regions increased by +8.2% but fell by -4% between 2013 and 2018 in the down turn following the resources construction boom.

In the six outer regions, the median price of units and apartments in 2018 was 20% below the level of 2008. The down turn in the last five years has been more severe on outer area prices. Between 2008 and 2013, the median price increased by +6.2% with the 2018 median price -26% lower than 2013.

Another key difference is the level of apartment/unit sales activity compared to the rate of population growth. The six outer suburbs are growing significantly faster, but the number of apartments/units sold in the outer suburbs is down by 22.2% compared to a decrease of 10.8% in the inner suburbs.

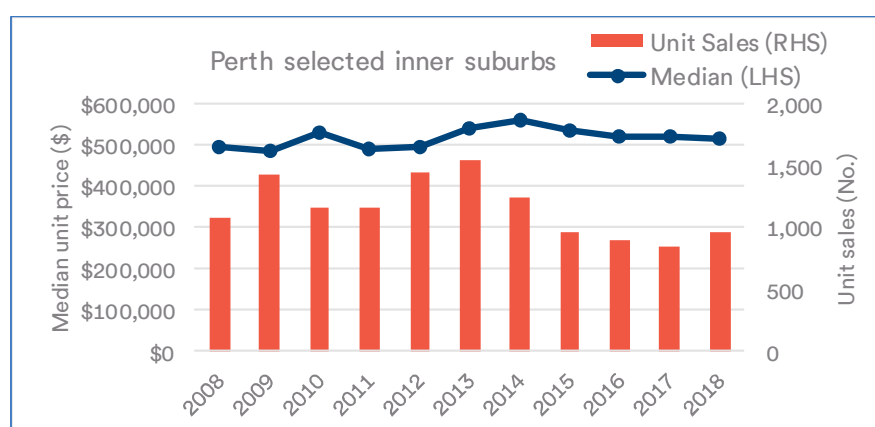
Table 4—Apartment/unit sales (Outer vs Inner Perth)

Region	Median unit price (\$)				Unit sales (No.)			
	2008	2013	2018	2008-18	2008	2013	2018	2008-18
Perth CBD	\$512,000	\$534,900	\$440,000	-14.1%	390	487	297	-23.8%
Subiaco	\$550,000	\$649,000	\$500,000	-9.1%	83	185	108	30.1%
South Perth	\$500,000	\$550,000	\$540,000	8.0%	197	292	196	-0.5%
Scarborough	\$410,000	\$490,000	\$506,000	23.4%	258	340	180	-30.2%
Fremantle	\$420,000	\$445,000	\$500,000	19.0%	114	165	121	6.1%
Cottesloe	\$1,000,000	\$650,000	\$852,500	-14.8%	39	74	62	59.0%
Sub-total Inner Perth	\$496,290	\$537,451	\$513,439	3.5%	1,081	1,543	964	-10.8%
Butler	\$315,000	\$374,500	\$225,000	-28.6%	8	4	30	275.0%
Cockburn Central	\$420,000	\$430,000	\$328,000	-21.9%	29	112	45	55.2%
Midland	\$310,000	\$350,000	\$252,500	-18.5%	39	151	66	69.2%
Joondalup	\$406,000	\$410,000	\$342,500	-15.6%	100	123	40	-60.0%
Ellenbrook	\$362,500	\$409,000	\$270,500	-25.4%	2	31	6	200.0%
Armadale	\$280,000	\$277,000	\$199,500	-28.8%	70	75	6	-91.4%
Sub-total Outer Perth	\$353,690	\$375,790	\$283,394	-19.9%	248	496	193	-22.2%
Outer vs Inner Perth	-28.7%	-30.1%	-44.8%	-	-77.1%	-67.9%	-80.0%	-

Source: Pricerfinder

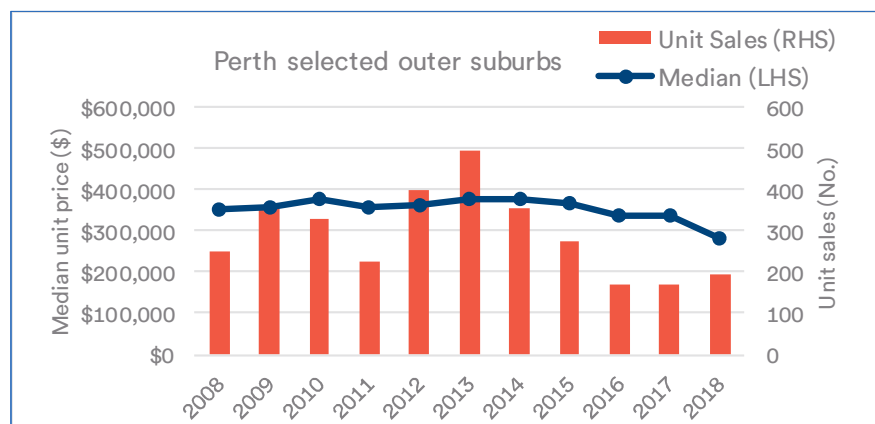
Figure 10—Apartment / unit sales (Perth inner suburbs)

Source: Pricerfinder



**Figure 11—
Apartment / unit
sales (Perth outer
suburbs)**

Source: Pricerfinder



The severe downturn in median apartment prices severely undermines the construction feasibility of apartments (relative to other residential products) and severely depletes investor or owner / occupier demand levels as recent experience shows a significant capital loss to apartment owners.

4.2 Apartment / units for sale

At the current time there are two apartments/units for sale in the suburb of Butler. Both have 2 bedrooms and are priced at \$210,000 and \$299,000.

Within Precinct D of the Butler District Activity Centre and the land designated as R60 there are currently four houses for sale. Prices start at \$249,000 for a 2-bedroom house on Mansfield Avenue and range up to \$330,000 for a 3-bedroom house, also on Mansfield Avenue.

It is therefore possible to buy a near new home within the Butler District Activity Centre for only \$50,000 more than the price for an apartment. The small price differential and significant product differential between a unit and a home against the relative cost of apartment construction makes it difficult to viably develop and sell apartments in the suburb at the current time.

4.3 Cockburn Central case study

Cockburn Central is a relatively new suburb located 23 km south of the Perth CBD. It is situated within the Town Centre precinct of the Cockburn Activity Centre adjacent to the Kwinana Freeway and Cockburn Railway Station.

The suburb contains approximately 600 high density residential apartments in various blocks around the transit centre and south of the shopping centre.

A sample of 14 apartments (refer Table 5), that sold in the last 18 months shows the price of every property has fallen significantly over six to ten years. The unit number of each property is not disclosed for confidentiality purposes.

The average price of a 1-bedroom apartment has decreased by \$74,000 or 26.5% from \$281,057 to \$206,714 while the average price of a 2-bedroom apartment has decreased by \$130,000 or 31.9%.

This analysis clearly shows that the residential apartment market in a heavily promoted and actively planned suburban activity centre such as Cockburn Central has been heavily impacted by the downturn in the WA economy.

While the planning objectives of the centre may be achieved, developers and investors would be wary of committing to similar projects in areas that do not have other amenity benefits such as ocean or river views or an underlying high value residential market.

Table 5—Cockburn Central apartment price change

Source: Pricefinder

Address	Sale date 1	Sale price 1	Sale date 2	Sale price 2	Price change
1 bedroom					
9 Linkage Av	11/08/2009	\$307,000	16/11/2018	\$235,000	-23.5%
2 Stockton Bend	3/03/2011	\$345,000	2/04/2019	\$234,000	-32.2%
20 Signal Terrace	9/01/2013	\$200,900	24/08/2018	\$161,000	-19.9%
16 Midgegooroo Avenue	12/03/2013	\$385,000	24/04/2019	\$310,000	-19.5%
2 Points Way	13/03/2013	\$213,500	10/07/2018	\$161,000	-24.6%
10 Linkage Ave	18/03/2013	\$285,000	30/10/2019	\$199,000	-30.2%
20 Signal Terrace	25/11/2013	\$231,000	4/06/2018	\$147,000	-36.4%
1 bedroom average	-	\$281,057	-	\$206,714	-26.5%
2 bedrooms					
9 Linkage Av	3/06/2009	\$408,000	12/07/2019	\$291,000	-28.7%
9 Linkage Av	23/07/2009	\$389,000	9/07/2019	\$265,000	-31.9%
19 Junction Boulevard	9/12/2009	\$417,000	10/08/2018	\$272,000	-34.8%
23 Junction Boulevard	15/08/2011	\$430,000	1/08/2019	\$285,000	-33.7%
16 Midgegooroo Avenue	27/02/2013	\$466,000	15/01/2019	\$324,000	-30.5%
6 Points Way	17/05/2013	\$234,500	10/10/2018	\$196,600	-16.2%
2 Signal Terrace	8/05/2014	\$510,000	1/03/2019	\$310,000	-39.2%
2 bedrooms average	-	\$407,786	-	\$277,657	-31.9%
Overall average	-	\$344,421	-	\$242,186	-29.7%

4.4 Apartment development summary

Multi-level unit developments in Perth are concentrated in the inner and riverside suburbs with others in the major Strategic or Secondary centres. There is very little apartment supply in 3+ storey developments in Perth's District Centres. The presence of apartments tends to fall sharply with distance from the city.

There has been little growth for investors in the apartment/unit market over the past decade and particularly in the last 5 years. While prices will eventually recover, locations with less attractive outlooks and fewer amenities and surrounding jobs will take longer. Developer and investors will also take longer for confidence to be restored.

Butler is an immature market for multi-level development with little or no product. The viability of multi-level apartments is undermined when small house and land packages can be purchased for similar or slightly higher values.

In our view, Butler like other outer areas on the rail network without a major activity centre and employment base around them, will take some time before demand levels and prices rise to a point where a significant apartment supply could be delivered.

5

Large format retail / showrooms

5.1 Existing supply

Large format (or bulky goods) retailers are a significant sector of the retail industry, making up 20-25% of all retail floorspace. Their land area and location needs are often overlooked or not well catered for in growing areas, as planning authorities tend to direct their priorities to conventional retail formats than can achieve other planning and design objectives. It is, therefore, often the case, that growing areas can develop quickly with large format retailers servicing the needs of newly formed or relocated households in new homes.

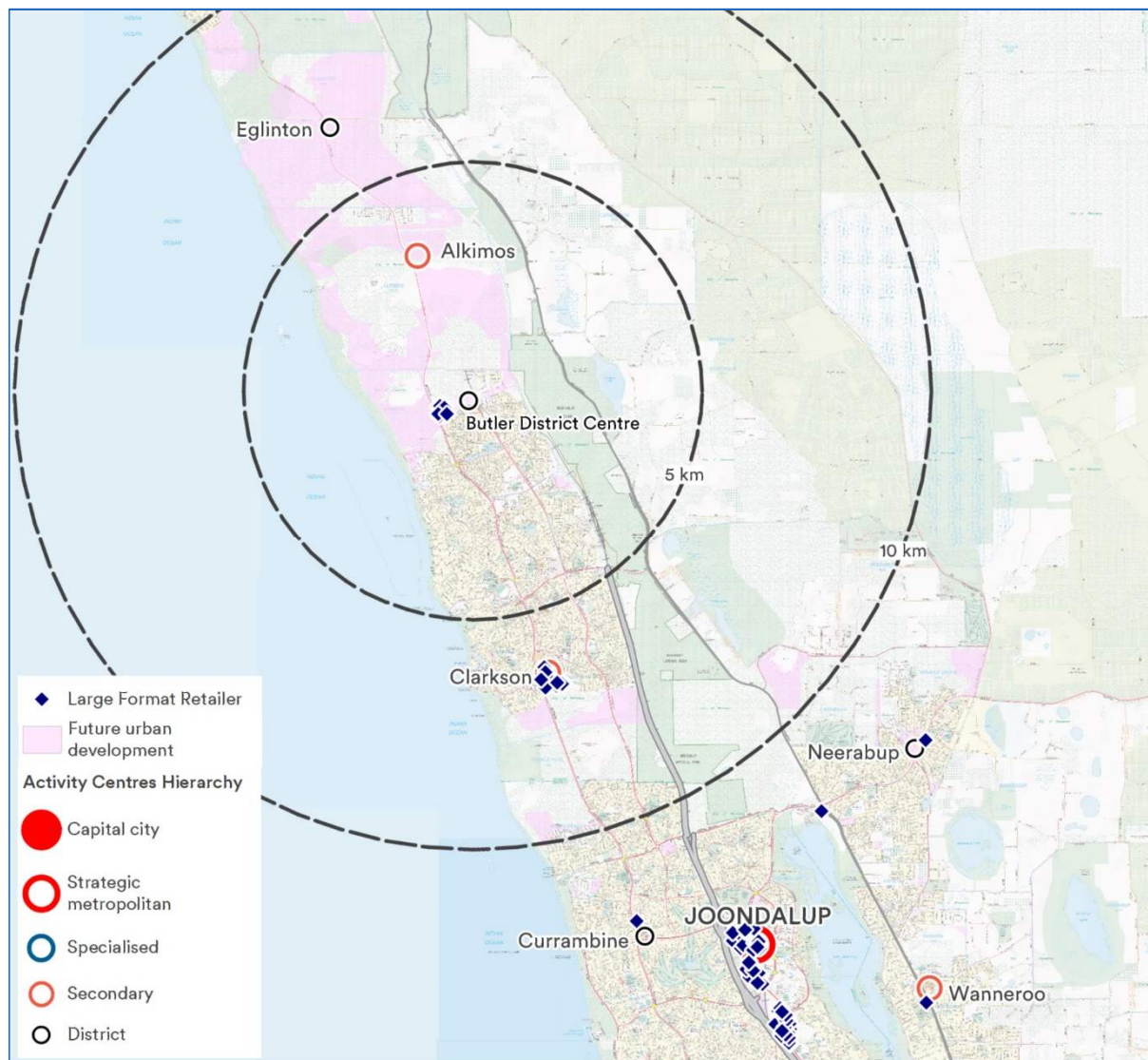
The sector has many national and independent brands with a wide range of store requirements. Like supermarkets and specialty shops, consumers are better off where large format retailers are clustered together in managed centres where the range and breadth of retailers can be managed or curated by the owner / manager.

Consumer choice, competition and one-stop shopping applies equally to the home maker sector as it does to the clustering of conventional retailers in neighbourhood or major centres.

In this context, the distribution of large format retailers in Perth's outer northern suburbs (refer Figure 12) shows the industry has clustered heavily in and around Joondalup where there is 120,000 sqm of floorspace in large format or bulky goods-type retail tenancies and centres. This is the first location priority for most national retailers in the outer north however with the City of Wanneroo's spatial growth heading further north in the narrow coastal corridor, Joondalup is now 15-25 km from where new housing is emerging.

For this reason, a secondary cluster of large format retailers has emerged in the last 10 years at Clarkson, where the total supply is about 40,000 sqm.

Figure 12—Large Format Retail Outer Northern Perth



Source: Deep End Services; MapInfo

The Butler District Centre currently houses 12 large format retailers occupying approximately 15,700 sqm of floorspace. These are located at the gateway or entry point to Butler District Centre, either in the HomeCo complex on the north side of Butler Boulevard or Big Box Butler on the south side. These centres have filled quickly due to strong demand and have a high occupancy rate with national or major franchise groups, underlining the strong perception of the area.

The eight largest retailers are:

- Amart Furniture (5,045 sqm)
- Spotlight (1,790 sqm)
- Anaconda (1,767 sqm)
- Rebel (1,400 sqm)
- BCF (1,021 sqm)

- Petstock (982 sqm)
- Living Emporium (824 sqm)
- Supercheap Auto (765 sqm)

The proposed development would increase the supply of large format retail space in Butler by 13,800 sqm. The total floor area for these uses is well short of the current supply in Clarkson and is not out of context with Butler's role as a district centre.

5.2 Interest in Butler

Our inquiries with leasing agents and connections to large format retail clients suggest there is strong interest in Butler from a range of other national retailers in key categories such as:

- Electrical
- Furniture
- Pet supplies
- Homewares
- Fitness centres/gyms

On information presented to us, the level of current interest from reliable well-credentialed retailers would occupy approximately 80% of Axiom's proposed development. As major retailers announce their commitment to the project, other national and smaller retailers tend to follow.

5.3 Employment generation

Large format retailers in Australia generate about 1 full time equivalent (FTE) job per 100 square metres of floorspace.

On this national ratio, the complex would generate about 138 FTE positions. Other contract work or casual employment would be created locally in areas of management, security, maintenance and cleaning.

5.4 Potential future reversion to higher intensity uses

In light of the limited demand for conventional (DDS, supermarket, small shop) floorspace in Butler for the foreseeable future and the low prospects and viability of multi-level apartments or commercial office space, the only realistic and feasible land use for the site is showroom space with some ancillary retail / leisure uses.

The proposed development can be viewed as an interim use with higher and more intensive activities potentially viable in the longer term. The complex has a simple pre-formed tilt-slab construction without significant site works. The structure can be easily disassembled in the future, if the need arises.

A reversion to a more intensive commercial or mixed use development in the future will come about when:

- Population levels in the corridor increase with a commensurate level of activity in the centre and through the railway station.
- The underlying land value increases to a point where the risk and return from other uses exceeds the value of a showroom complex.

- Population levels and retail / commercial investment at Alkimos and Yanchep shift the focus of retailers to new opportunities serving new growth fronts. Large format retailers can and do move regularly to position themselves in what they perceive to be better markets. A rise in the centre's vacancy level in the future could prompt a reassessment of its highest and best land use.
- Future changes in the retail industry which could for example include new supermarket entrants (as currently the case in the eastern states) or other retail formats that could substitute for the former Big W proposal.

6

Conclusions

Butler District Centre has made rapid progress and attracted a significant level of investment in the last three years, despite the down turn in the WA economy and slowing housing construction and population growth rates in the outer areas.

Butler is still an emerging centre and while many of the major elements are in place, the second half of its development will be slower as the more difficult mixed use sites with more uncertain tenant demand levels are still to be developed. The length of Butler Boulevard and the supply of vacant sites will see a slow take up.

The Structure Plan was developed at a time when the DDS market still had some strength and Woolworths had every intention of developing the site with a large-scale Big W store. Structural changes in the retail industry, changing consumer habits and preferences and a slowing economy have conspired to frustrate many plans for DDS-based centres in new growth corridors across the country. Butler is not alone in this experience.

Nonetheless, Butler has the elements of a strong centre in the future with a good range of national retailers present. Vacancy levels in Butler Central are not unusual given the early establishment of the centre, unexpected openings of Spudshed and ALDI and Trinity Village to the north. While the existing shop vacancies levels should be filled in the next few years, the nature of the catchment and challenges in the DDS and small shop leasing market and supermarket location patterns suggest there is little prospect of a conventional retail development on the subject site and little chance of a major multi-level residential or mixed use project.

The proposed showroom development is the only viable, market driven commercial use suitable for the site. The benefits are that:

- It will fill a large vacant site that might otherwise be empty for many years if the strict interpretation of the Structure Plan is enforced.
- It will bring people and employment to the centre which increases local activity and spending to the benefit of existing businesses. The project would certainly increase activity levels in Butler Central and help fill vacant tenancies.
- It will activate the largest vacant site with large-format retail uses while allowing the smaller mixed use sites along Butler Boulevard to hopefully develop without any competition for small scale retail and office uses. The development could be a benefit to the delivery of other sites.
- It will deliver new retailers to Butler and alleviate longer travel distances for residents to access similar retailers at Clarkson or Joondalup.

While it is difficult to predict land use change into the future, there is every chance that new retail trends and formats, increasing population and commuter levels and higher yields from other land use classes could see the simple showroom development revert to a higher, more intensive use in the future.