LENNOX HEAD

DEMOGRAPHIC AND MARKET OVERVIEW

Dated 20th February 2007

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1 EXECUTIVE SUMMARY

Demographic Snapshot

- In 2001, the Lennox Head population was 5,843 persons, accounting for some 16% of the Ballina Shire population and representing growth of 5% pa from 1996. In terms of dwelling stock, there were 2,398 dwellings in Lennox Head, with an above average ratio of unoccupied dwellings (10%), which is partially explained by the number of holiday homes and rentals in the area.
- The resident age profile the Lennox Head area is considerably younger than both the wider Ballina shire and the Regional NSW benchmark, with significantly higher proportions of both persons aged in the 0-14 year and 25-39 year old bracket. These proportions are offset by a lower proportion of aged persons in the 60+ category.

  This profile is a result of both property supply and product and price conditions in Lennox Head, where higher priced and larger block separate houses dominate and genuine retirement product is limited.

- It is worth noting that the wider Ballina Shire itself has a very high proportion of persons aged 60+, considerably above the regional NSW benchmark, illustrating the attractiveness of the area as a lifestyle and retirement destination.
- On the basis of the latest lot sales and dwelling approval data, the current 2006 estimated resident population of Lennox Head is approximately 6,900 persons.

Population Growth

- Growth to the Ballina area has been historically driven by migrants from Interstate, Sydney and Overseas – together equating to almost half of all new residents moving into the shire.

  Given adequate land supply, this growth will continue based on continued in-migration from Sydney and increased accessibility to SEQ on completion of the Pacific Highway upgrades at Tugun, Brunswick Heads and eventually the Byron/Bangalow section through St Helena.

- An understanding of the quantum and composition of these migrants is critical in order to understand future residential product demand.

  Historically, migrants to the Ballina area have been dominated by persons less than 25 and persons aged 35-54 - i.e families with dependents

  Whilst, persons 65+ contribute some 11% of all new residents to the Ballina area, this is less than the existing population proportion and somewhat at odds with the theory that the ‘sea-change phenomenon’ is being driving by persons retiring to coastal lifestyle destinations.

- In terms of forecast growth, projections for the Far North Coast (FNC) region show continued population pressure on coastal settlements and static to negative growth in inland/hinterland regions.

- Specifically, major growth is forecast for the Tweed coastal area (south of Kingscliff) at over 1,200 persons pa, the Byron Shire (560 pa) and the Ballina Shire (531 pa).

- Given a significantly ageing population profile, baby boomers and retirees will drive population growth in Ballina over the next 25 years. The most recent population forecast reveal the enormous requirement for housing construction within the municipality as the ageing population continues to decrease persons per household and accelerate housing need.

  In addition to population ageing, Australia has witnessed significant cultural change over the last decade. This cultural change has resulted in demands for new housing products and residential location preferences. The combined effect of increases in personal wealth and favorable economic conditions since the mid 1990's, has resulted in a major shift in housing preferences and housing culture.

  Securing a high amenity retirement destination proximate to coast will be at the forefront of housing location preference.

- Despite its own population forecasts, the FNC Regional strategy has as attempted to redirect settlement patterns with the strategic objective of supporting non-coastal development and reducing growth pressures on coastal settlements.

  By attempting to force development to inland areas - demand for coastal dwellings will continue to outstrip supply.

- Despite the above strategic objectives, the Ballina area has still been set a dwelling target of 8,400, with the majority likely to be allocated in the large urban release area west of Lennox Head and east of the Pacific Highway, running from Ross Lane south to Cumbalum.

Retirement Need

- The underlying demand for retirement village units is based on forecast population growth of all persons in the catchment area aged 65+. For the purpose of this analysis the age cohorts 65-74 and 75 years and over have been used.

  Currently these cohorts represent 32% of the catchment population or 33,794 persons. Based on analysis of the latest population projections by age, this group is expected to growth to over 44,000 persons at 39% of the population.

- Based on the existing supply of 738 units in the catchment area, indicates a current unmet demand or undersupply of some 239 dwellings units. Given the development of 321 units at Sovereign Gardens over the next 7 years – net dwelling demand is for 79 units in 2011 and 114 in 2016.

Note that the total supply figures include some 193 mobile homes at Riverbend in Ballina, which are a considerably different product market to the traditional retirement village.

Retail Need

- The existing retail role in Lennox Head is focused on the convenience and tourism markets, with its proximity to Ballina, a smaller population base and limited suitable land constraining the majority of retail development opportunities. With new residential growth and the associated population increases occurring, additional retail demand and opportunities will arise.

- Given existing retail supply levels in Lennox Head, the current floor space mismatch, that is the existing supply minus the existing demand and expressed as either an undersupply (+) of oversupply (-) of floor space is as follows:

  + 1,800 m^2 of grocery
  + 900 m^2 of non-food
  - 650 m^2 of other

- Results of the retail needs assessment indicate that there is immediate demand for 'grocery' retailing in Lennox Head, which is consistent with findings from the Ballina Retail Strategy Background Report which states *"that there is scope for a medium size supermarket and a few supporting specialty shops in the Lennox Head Region sometime in the next 2-3 years."*

  The assessment also indicates that demand exists for an additional 900 m^2 of 'non-food' floor space, while on the other hand there is a small existing over supply of 'other' floor space, which in the case of Lennox Head primarily relates to restaurants and take away.

  It is important to note that the above analysis refers to current (2006) unmet demand. As Lennox Head and surrounds continue to expand, this demand will increase significantly – resulting in significant over-trading of existing retailers.

  By rectifying the current supply/demand mismatch – the amount of escape expenditure is reduced, benefiting residents in terms of increased convenience and range of goods and services and reduced drive-times and reliance on vehicular transport for basic shopping needs.

Child Care Need

- The assessment of child care need undertaken for the purpose of this study, has been based on demand for formal long day care, which is directly related to the number of children in the 0-4 age group.

- In 2006 within the Ballina Shire there were a total of around 40,920 residents of which around 2,210 (5%) were children aged 0-4 years. In terms of the target population, that is 0-4 year olds with both / only parent are working, there were 806 children. At the same time there are some 447 long day care spaces within the shire.

- The result is an immediate requirement of some 359 long day care places or a supply ratio of 1.8. This is a ratio that compares supply with demand. The larger the number, the more unmet need for child care exists. i.e. a ratio of 1.8 means that there are 1.8 children for every one full time place.

- A survey undertaken by Petrac of all existing child care providers within the shire indicated limited waiting times, however most vacancies were age specific and often limited to different days. The existing centre in Lennox for example had some places available on most days, however only catered for children aged 2-4.

  An investigation of demand in the Byron area indicated significant waiting lists in the 3 existing providers.

- In terms of future market growth, the 0 – 4 age cohort across the Ballina shire is forecast to taper away slightly over the next 10 years, with the population growth driven by increases in the 55+ age cohorts.

  That said, within the Lennox Head area – continued residential development of larger detached homes will continue to attract young families and professionals with dependants, which in-turn will result in an increase in demand for childcare.

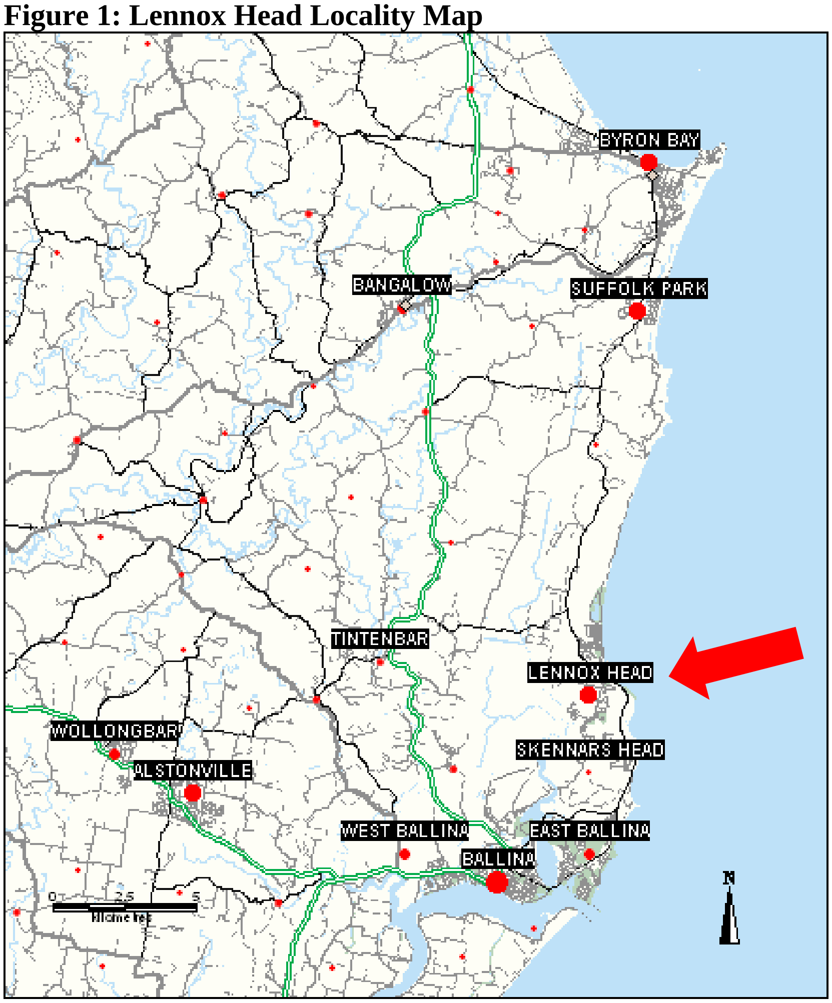
2 INTRODUCTION

The following report provides a detailed demographic snapshot of the Lennox Head area, an analysis of population growth and implications of recent state government strategy announcements. It concludes by conducting a preliminary needs assessment for the retirement, retail and child care markets in the Lennox Head area.

3 LOCATION

Lennox Head is located on the far-north coast of NSW, approximately 776km north of Sydney, 211km south of Brisbane and 5km east of the Pacific Highway. The village itself is situated at the southern end of Seven Mile Beach on the north side of the Lennox Headland, and is 10km north of Ballina and 20km south of Byron Bay (Figure 1).

Figure 1: Lennox Head Locality Map



Source: Petrac, MapInfo

4 DEMOGRAPHIC OVERVIEW

The data used is the following demographic overview has been based upon results of the 2001 Census. Results of the 2006 Census are due to be released mid/late 2007.

Although now 5 years old, the data is assumed to provide an accurate representation of the Lennox Head area given that population change in the area has been limited by constricted land release. In addition without access to local area market research (to be undertaken by UMR) the 2001 Census currently provides the best source of demographic data.

In 2001, the Lennox Head population was 5,843 persons, accounting for some 16% of the Ballina Shire population and representing growth of 5% pa from 1996. In terms of dwelling stock, there were 2,398 dwellings in Lennox Head, with an above average ratio of unoccupied dwellings (10%), which can be partially explained by the number of holiday homes and rentals in the area.

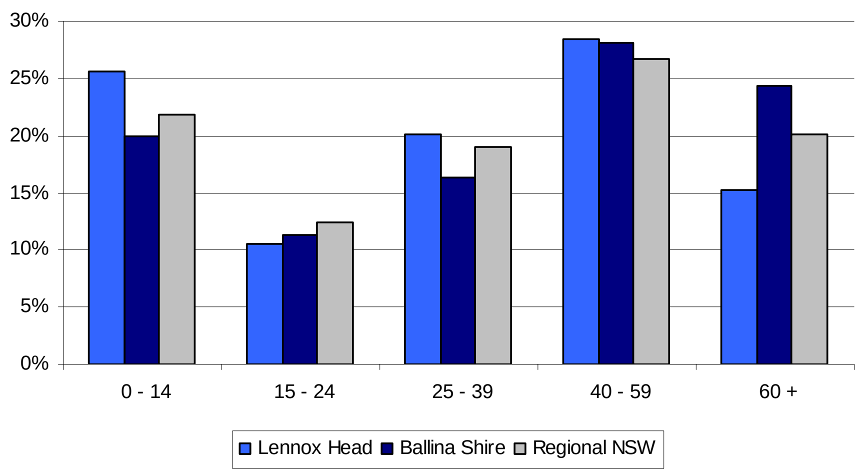
In regards to household size, the average Lennox home has 2.4 persons, above both the Ballina shire and NSW Regional average at 2.3 persons per household.

In terms of resident age profile the Lennox Head area is considerably younger than both the wider Ballina shire and the Regional NSW benchmark, with significantly higher proportions of both persons aged in the 0-14 year and 25-39 year old bracket. These proportions are offset by a lower proportion of aged persons in the 60+ category.

This profile is a result of both property supply and product and price conditions in Lennox Head, where higher priced and larger block separate houses dominate and genuine retirement product is limited.

It is worth noting that the wider Ballina Shire itself has a very high proportion of persons aged 60+, considerably above the regional NSW benchmark, illustrating the attractiveness of the area as a lifestyle and retirement destination.

Figure 2: Resident Age Profile

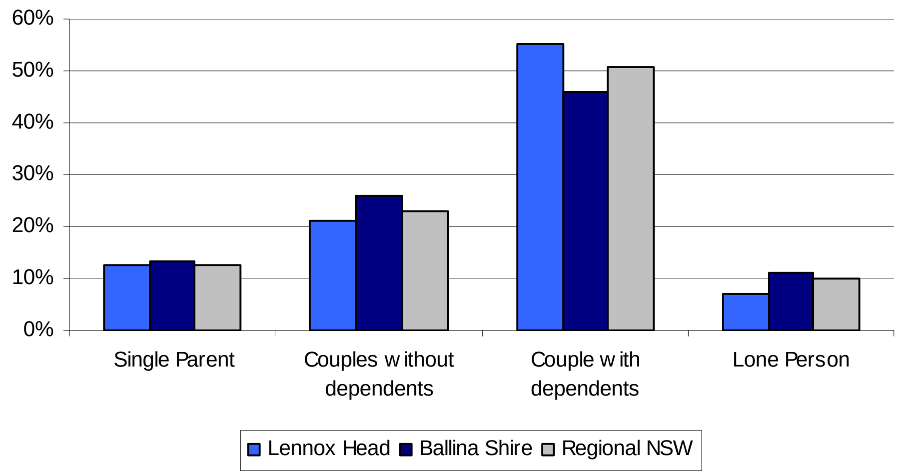


Source: ABS, Census of Population and Housing, 2001.

In terms of the household composition, couples with dependents are the dominant family category in Lennox Head, with lone persons households the least common household structure. This is at odds with the wider Ballina Shire which has above average levels of lone persons and couples without dependents.

This profile is consistent with the majority of regional coastal locations which due to a general lack of suitable employment and tertiary education facilities, suffer from what is known as a 'brain drain' to larger regional and metropolitan locations.

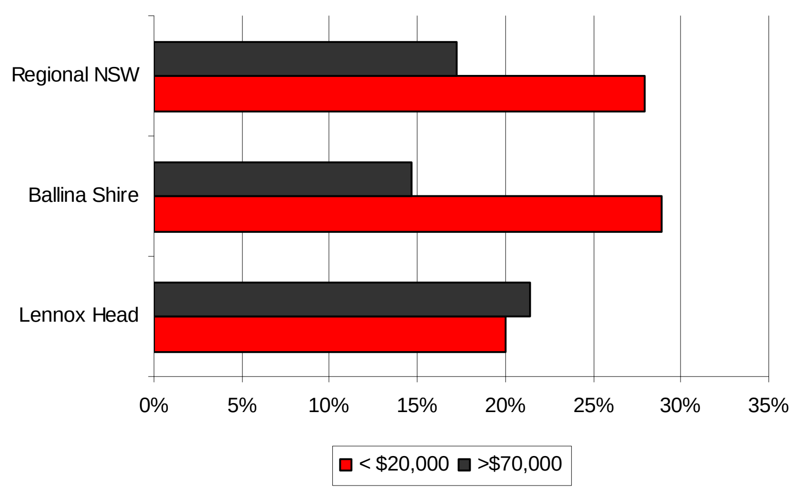
Figure 3: Household Structure



Source: ABS, Census of Population and Housing, 2001.

In regards to household income, Lennox Head has a considerably higher proportion of households above $70,000 pa and considerably lower proportion of households below $20,000 pa, than both the wider Ballina Shire and the Regional NSW benchmark.

Figure 4: Income Profile



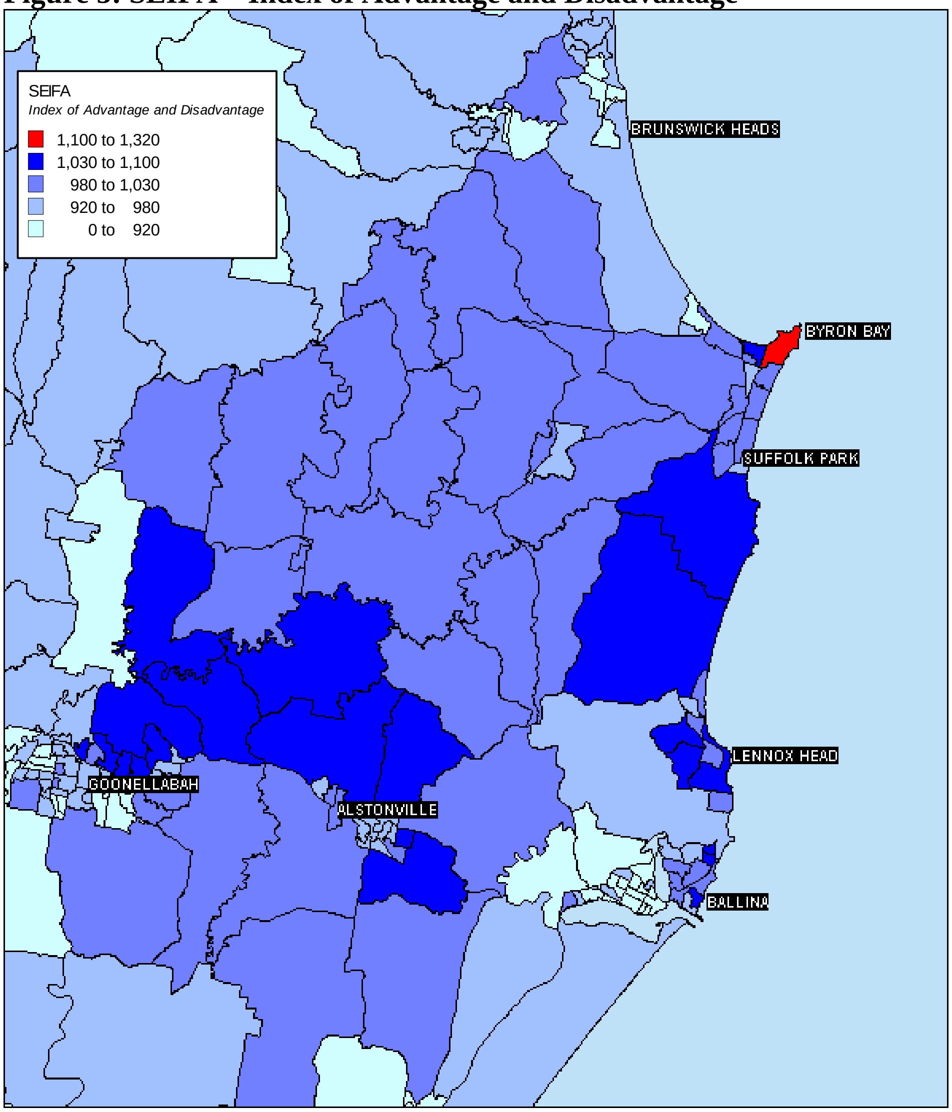
Source: ABS, Census of Population and Housing, 2001.

This income and wealth disparity can be further seen on the following thematic map, which illustrates the SEIFA[1] index of Advantage and Disadvantage.

A higher score on the Index of Relative Socio-Economic Advantage/Disadvantage indicates that an area has attributes such as a relatively high proportion of people with high incomes, a skilled workforce, larger homes etc. Conversely, a low score on the index indicates that an area has a higher proportion of individuals with low incomes, smaller dwellings and more employees in unskilled occupations, etc

As can be seen the Lennox Head area is characterised by high scores representing an above average area in terms of advantage in disadvantage. Only Byron Bay to the north has higher levels of socio-economic advantage.

Figure 5: SEIFA – Index of Advantage and Disadvantage



Source: ABS, SEIFA, 2001.

[1] A SEIFA index relates to the socio-economic aspects of geographic areas, summarising the information from a variety of social and economic variables, and calculating weights that will give the best summary for the underlying variables.

Figure 6: Demographic Profile Summary

		Lennox Head	Ballina Shire	Regional NSW
Population	no.	5,843	37,218	2,372,820
Dwellings	no.	2,398	16,127	1,024,929
Unoccupied Dwellings	%	10%	7%	12%
Household Income				
< $20,000	%	20%	29%	28%
>$70,000	%	21%	15%	17%
Tenure Type				
Owner/Purchasing	%	72%	70%	73%
Private rental	%	28%	27%	22%
Public rental	%	0%	4%	5%
Family Composition				
Single Parent	%	13%	13%	13%
Couples without dependents	%	21%	26%	23%
Couple with dependents	%	55%	46%	51%
Lone Person	%	7%	11%	10%
Age Profile				
0 - 14	%	26%	20%	22%
15 - 24	%	11%	11%	12%
25 - 39	%	20%	16%	19%
40 - 59	%	28%	28%	27%
60 +	%	15%	24%	20%
Depedency Ratio	%	41%	44%	42%
Car Ownership				
0	%	4%	11%	11%
1	%	46%	48%	44%
2+	%	49%	41%	45%
Employment				
White Collar	%	78%	72%	66%
Blue Collar	%	22%	28%	34%

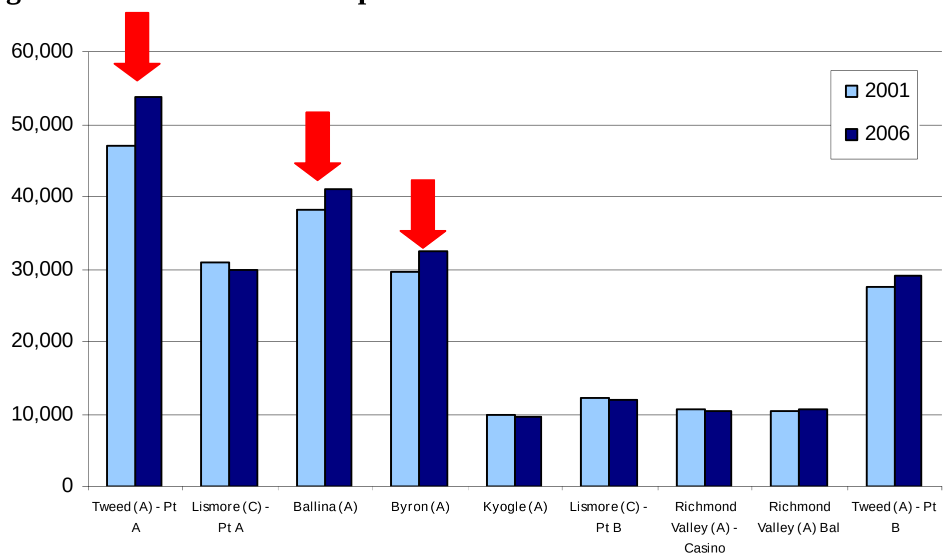
Source: ABS, Census of Population and Housing, 2001.

5 HISTORICAL POPULATION GROWTH

Growth in the Far North Coast region has slowed since the high rates experienced in the 1980's, with coastal areas continuing to grow moderately, while some inland areas have declined.

As illustrated in Figure 7, the largest population increases from 2001 to 2006 have occurred in the Ballina (552 persons pa), Byron (556 persons pa) and Tweed Coast (1,338 persons pa) areas.

Figure 7: Far North Coast Population Growth



Source: DPNR, Transport and Data Centre – Detailed Population Projections, 2004.

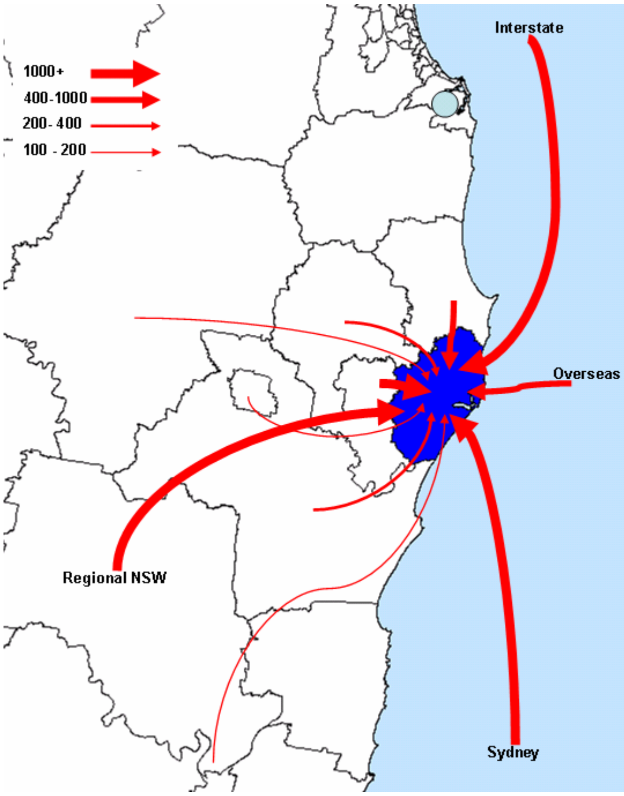
The urban coastal areas of Tweed Shire (Pt A) in particular have experienced high rates of growth driven by its proximity to South East Queensland and large residential subdivisions, such as Salt, Casuarina, Koala Beach, Sea breeze and Black Rock.

In terms of the Ballina area, growth to the area has been historically driven by migrants from Interstate, Sydney and Overseas – together equating to almost half of all new residents moving into the shire.

Given adequate land supply, this growth will continue based on continued in-migration from Sydney and increased accessibility to SEQ on completion of the Pacific Highway upgrades at Tugun, Brunswick Heads and eventually St Helena.

Figure 8 illustrates these major migration movements.

Figure 8: In-migration to Ballina



Rank	Origin of Migrants	No.	%
1	Interstate	2,098	22%
2	Lismore	1,368	14%
3	Byron	567	6%
4	Overseas	453	5%
5	Richmond Valley	427	4%
6	Warringah	155	2%
7	Gosford	136	1%
8	Wyong	114	1%
9	Kyogle	111	1%
10	Grafton	100	1%
	Other	4,029	42%
	Total	**9,558**	**100%**

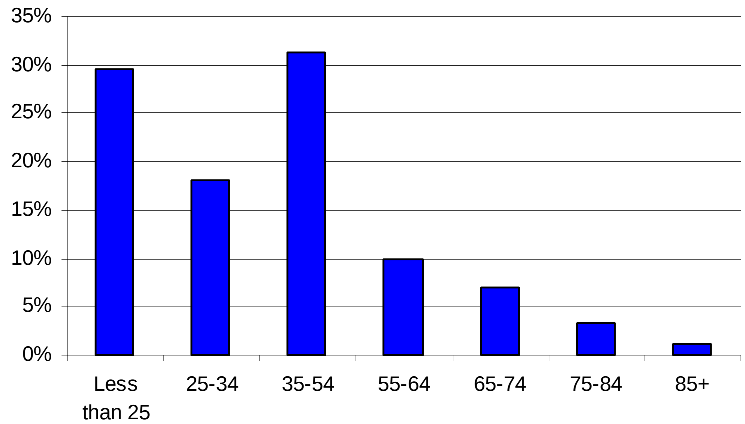
Source: ABS, Census of Population and Housing, 2001.

An understanding of the quantum and composition of these migrants is critical in order to understand future infrastructure requirements.

Historically, migrants to the Ballina area have been dominated by persons less than 25 and persons aged 35-54 - i.e families with dependents (Figure 9)

Whilst, persons 65+ contribute some 11% of all new residents, this is less than the existing population proportion and somewhat at odds with the theory that the 'sea-change phenomenon' is being driving by persons retiring to coastal lifestyle destinations.

Figure 9: Age Profile of Persons Moving to Ballina (1996 – 2001)



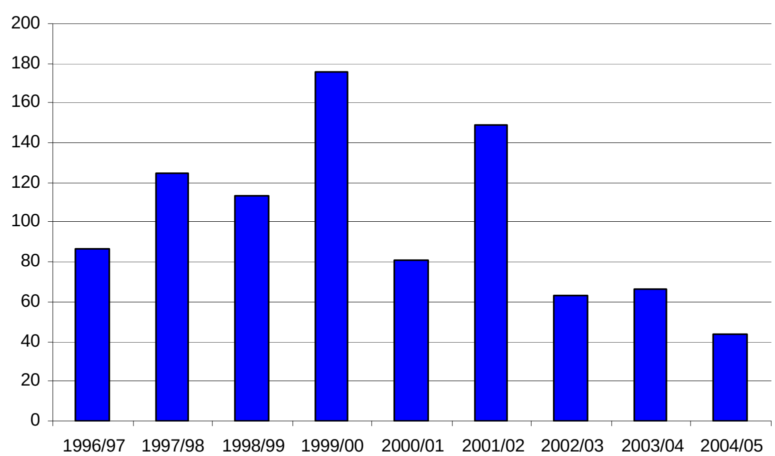
Source: ABS, Census of Population and Housing, 2001.

Implications for Lennox Head

The population analysis above is based on SLA level population projections produced by the Transport and Data Centre in 2004 and are the basis of Regional Strategies produced by the NSW DPNR. While this data is not available at a lower level (ie Lennox Head township), an estimation of current population can be derived from analysis of local level building approval data.

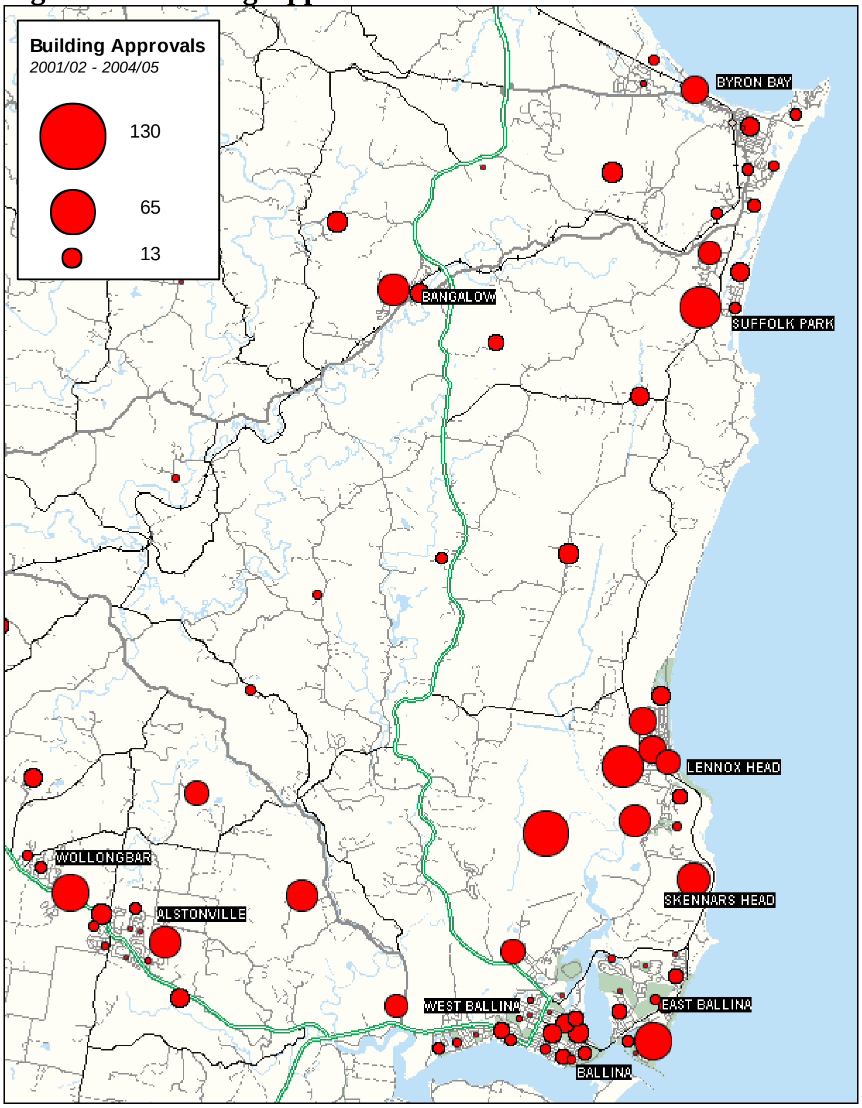
As illustrated in Figure 10, since 1996/97 the long term dwelling approval average in Lennox Head is 100 dwellings per annum. Annual levels are somewhat sporadic however, peaking at 176 dwellings in 1999/00 and 2001/02 and dropping considerably in recent years as a direct result of land supply shortages.

Figure 10: Lennox Head Dwelling Approvals



Source: ABS

Figure 11: Dwelling Approvals 2001/02 – 2004/05



Source: ABS

Figure 11 illustrates this data spatially, highlighting local areas in which significant dwelling activity has occurred since 2001/02.

On the basis of the above dwelling approval data, the current 2006 estimated resident population of Lennox Head is approximately 6,900 persons.

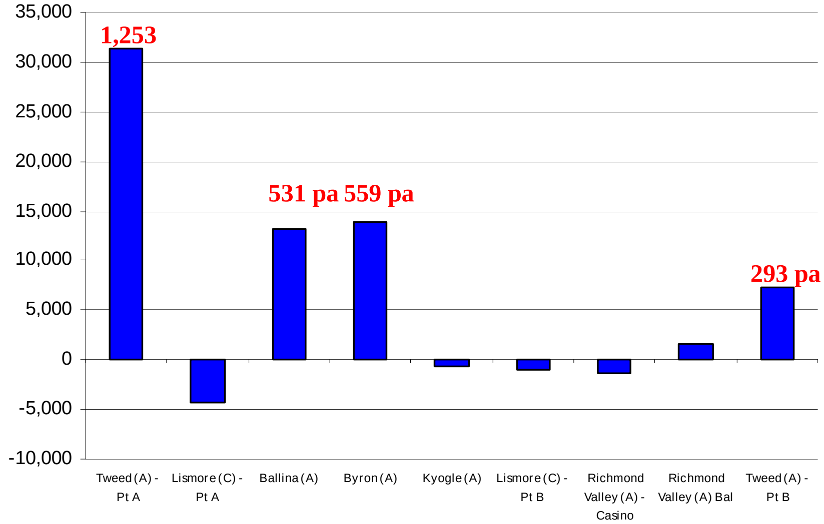
6 FUTURE POPULATION GROWTH

The most up-to-date population forecasts for the FNC Region, and as used in the FNC Regional Strategy, project a population increase of 60,400 persons to 2031.

As illustrated below, forecast growth within the FNC region shows continued population pressure on coastal settlements and static to negative growth in inland/hinterland regions.

Specifically, major growth is forecast for the Tweed coastal area (south of Kingscliff) at over 1,200 persons pa, the Byron Shire (560 pa) and the Ballina Shire (531 pa).

Figure 12: Forecast Absolute Population Change (2006 – 2031)



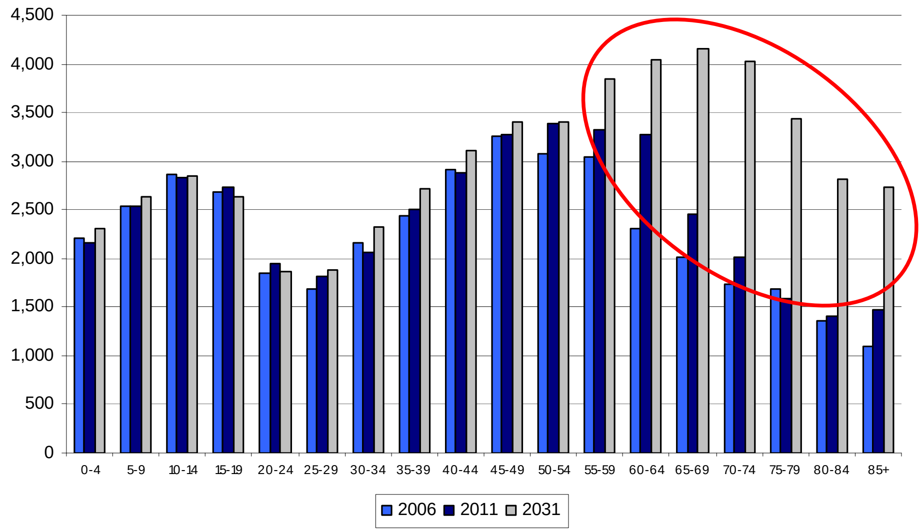
Source: DPNR, Transport and Data Centre – Detailed Population Projections, 2004.

The Australian population is ageing; and no-where more prevalent is this than on the FNC, whose median age is projected to increase from 39 to 51 in the next 25 years.

In the Ballina Shire, the proportion of persons aged 60+ is forecast to increase from 25% of the population currently to 39% of the population in 2031.

As detailed in Figure 13, baby boomers and retirees will drive population growth in Ballina over the next 25 years. The most recent population forecast reveal the enormous requirement for housing construction within the municipality as the ageing population continues to decrease persons per household and accelerate housing need.

Figure 13: Forecast Age Structure – Ballina



Source: DPNR, Transport and Data Centre – Detailed Population Projections, 2004.

In addition to population ageing, Australia has witnessed significant cultural change over the last decade. This cultural change has resulted in demands for new housing products and residential location preferences.

The combined effect of general increases in personal wealth and favorable economic conditions since the mid 1990's has resulted in a major shift in housing preferences and housing culture.

Securing a high amenity retirement destination proximate to coast will be at the forefront of housing location preference.

7 FNC STRATEGY IMPLICATIONS

Despite these forecasts the FNC Regional strategy has as attempted to redirect settlement patterns with the strategic objective of supporting non-coastal development and reducing growth pressures on coastal settlements.

To accommodate the forecast growth of some 60,400 persons in the region, the strategy has set individual dwellings targets for each local government area.

In total the strategy has allowed for some 51,000 additional dwellings over the next 25 years (1.25 persons per dwelling). The proposed mix of 60% single dwellings and 40% multi-unit has been allocated to more accurately meet the changing housing demands of the region (ie an ageing population).

Figure 13 illustrates these dwelling targets. **Notably, Lismore, Richmond Valley and Kyogle have been allocated some 20,900 dwellings despite population forecasts for each of these areas being negative.**

Figure 13: LGA Dwelling Targets (60,400 persons)

LGA	Existing dwellings (2006)	Additional new dwellings to 2031
Ballina	16720	8400
Byron	13090	2600
Kyogle	4110	3000
Lismore	17640	8000
Richmond Valley	8710	9900
Tweed	34650	19100
Totals	94920	51000

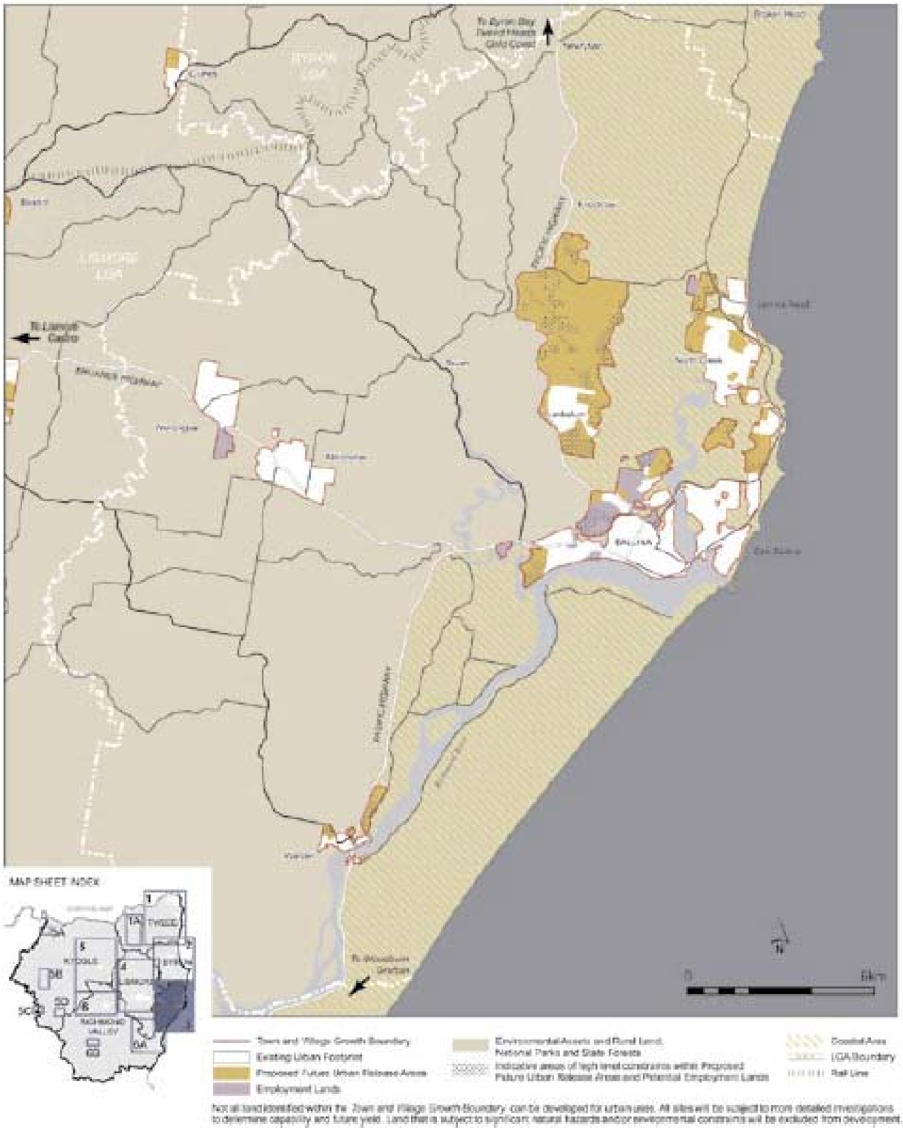
Source: Far North Coast Regional Strategy

By attempting to force development to inland areas - demand for coastal dwellings will continue to outstrip supply

The Ballina Shire settlement pattern as directed by the FNC Strategy is shown in Figure 14 below. **With the majority of the 8,400 allocated dwellings likely to be allocated in the large urban release area west of Lennox Head and east of the Pacific Highway, running from Ross Lane south to Cumbalum.**

A local Growth Management Strategy will be prepared by Ballina Council to outline how these targets will be met.

Figure 14: Town and Village Growth Boundary Map



Source: Far North Coast Regional Strategy

It is important to note that not all land identified will be developed, and it will still be subject to more detailed investigations regarding capacity and constraints.

It is also worth noting that some minor variations to the growth boundary may be considered in some circumstances.

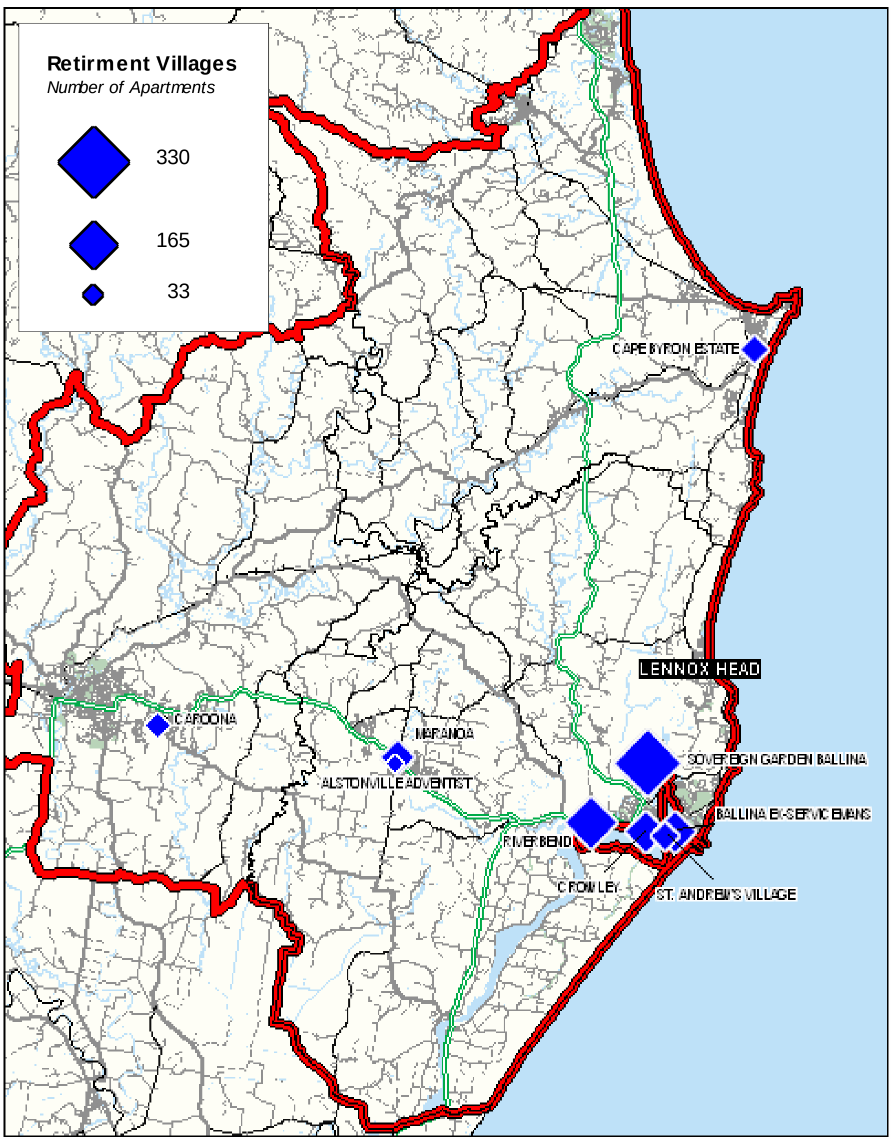
8 FORECAST RETIREMENT NEED

The underlying demand for retirement village units is based on forecast population growth of all persons in the catchment area aged 65+. For the purpose of this analysis the age cohorts 65-74 and 75 years and over have been used.

Currently these cohorts represent 19% of the catchment population or 20,123 persons. Based on analysis of the latest population projections by age, this group is expected to growth to over 26,500 persons at 23% of the population.

The catchment has been based on analysis of aged migration into the area and is illustrated below.

Figure 15: Lennox Head Retirement Village Catchment and Competitive Overview



Source: MapInfo, Petrac.

Using available market penetration data, the estimated number of persons in each age cohort that will live in a retirement village can be calculated. These proportions are based on ABS information and are as follows:

- 1.41% of persons aged between 65 and 74
- 4.49% of persons aged 75 years and above.

Applied to the corresponding age cohorts, these people represent the local target market for retirement living.

Acknowledging the changing housing culture occurring with a rapidly ageing population, 3 growth scenarios have been used to test sensitivity. These include:

- No Growth – This assumes growth in retirement demand will occur only through population ageing and not as a result of increased market preference for retirement living. (ie the above market penetration rates remain constant over the time period).
- Moderate growth – This assumes an increased market preference for retirement living, based on an increased market penetration rate of 1% per annum.
- High growth - This assumes a significant increase in the market preference for retirement living, based on an increased market penetration rate of 3% per annum.

Note that by international standards even under a high growth scenario, penetration rates remain relatively low. Compared to the United States for example the proportions of persons choosing retirement village living as a viable housing option are some 50-60% below the US.

That said, demand for product is still significant. As can bee seen in Figure 16, based on the moderate growth assumption, the local target market is 939 persons in the catchment, which when converted to units using average household sizes equates to demand for some 751 dwelling units.

Note that the above dwellings requirements are based upon local demand only, and do not include additional demand that would be generated by persons attracted from outside the region. This level varies between region to region based on ones attractiveness as a lifestyle destination. Analysis of migration data indicates that this can equate to an additional 40% in some cases.

Again in order to test sensitivity, 3 corresponding scenarios have been assumed.

- Under the previously used no growth in market penetration scenario, a conservative 25% has been assumed for additional demand from beyond the catchment.
- Moderate growth – Assumes an additional 30% from beyond the catchment.
- High growth - Assumes an additional 35% from beyond the catchment.

As shown in Figure 16, the result illustrates total demand for independent retirement village living of some 1,000 units under the moderate growth assumption.

Based on the existing supply of 738 units in the catchment area, indicates a current unmet demand or undersupply of some 239 dwellings units. Given the development of 321 units at Sovereign Gardens over the next 7 years – net dwelling demand is for 79

units in 2011 and 114 in 2016. Note that the total supply figures include some 193 mobile homes at Riverbend.

This undersupply is confirmed by waiting lists of between 2-4 years in the area.

Figure 16: Projected Catchment Demand for ILU's in Retirement Villages

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Age Profile (Ballina Shire)											
65-74	9,564	9,885	10,206	10,527	10,847	11,168	11,815	12,462	13,109	13,757	14,404
75 +	10,559	10,676	10,793	10,909	11,026	11,143	11,339	11,535	11,730	11,926	12,122
Local Target Market											
No growth scenario	930	943	956	970	983	997	1021	1044	1068	1092	1116
moderate growth scenario	939	953	966	980	993	1007	1031	1055	1079	1103	1127
high growth scenario	958	971	985	999	1013	1026	1051	1076	1100	1125	1150
Local Market Dwelling Unit Requirement											
no growth scenario	744	754	765	776	787	797	816	836	855	874	893
moderate growth scenario	751	762	773	784	794	805	825	844	863	883	902
high growth scenario	766	777	788	799	810	821	841	861	880	900	920
Regional Market Demand											
No growth scenario	930	943	956	970	983	997	1021	1044	1068	1092	1116
moderate growth scenario	977	991	1005	1019	1033	1047	1072	1097	1122	1147	1173
high growth scenario	1034	1049	1064	1079	1094	1109	1135	1162	1188	1215	1242
Existing Supply											
Units	**738**	**784**	**830**	**876**	**921**	**967**	**1013**	**1059**	**1059**	**1059**	**1059**
Maranoa Retirement Vilage	*28*	*28*	*28*	*28*	*28*	*28*	*28*	*28*	*28*	*28*	*28*
Alstonville Adventist Retirement Village	*85*	*85*	*85*	*85*	*85*	*85*	*85*	*85*	*85*	*85*	*85*
Riverbend (mobile homes)	*193*	*193*	*193*	*193*	*193*	*193*	*193*	*193*	*193*	*193*	*193*
Crowley Retirement Village	*127*	*127*	*127*	*127*	*127*	*127*	*127*	*127*	*127*	*127*	*127*
St. Andrew's Village	*60*	*60*	*60*	*60*	*60*	*60*	*60*	*60*	*60*	*60*	*60*
Caroona Goonellabah Retirement Village	*52*	*52*	*52*	*52*	*52*	*52*	*52*	*52*	*52*	*52*	*52*
Cape Byron Estate	*68*	*68*	*68*	*68*	*68*	*68*	*68*	*68*	*68*	*68*	*68*
Ballina Ex-Servicemans	*125*	*125*	*125*	*125*	*125*	*125*	*125*	*125*	*125*	*125*	*125*
Sovereign Garden Ballina		*46*	*92*	*138*	*183*	*229*	*275*	*321*	*321*	*321*	*321*
Dwelling Requirement (moderate growth scenario)	**239**	**207**	**175**	**143**	**111**	**79**	**59**	**38**	**63**	**88**	**114**

Source: ABS, Stimson, R: The Retirement Village Industry in Australia, DPS; Aged Care Guide, DPNR, Transport and Data Centre – Detailed Population Projections, 2004.

9 FORECAST RETAIL NEED

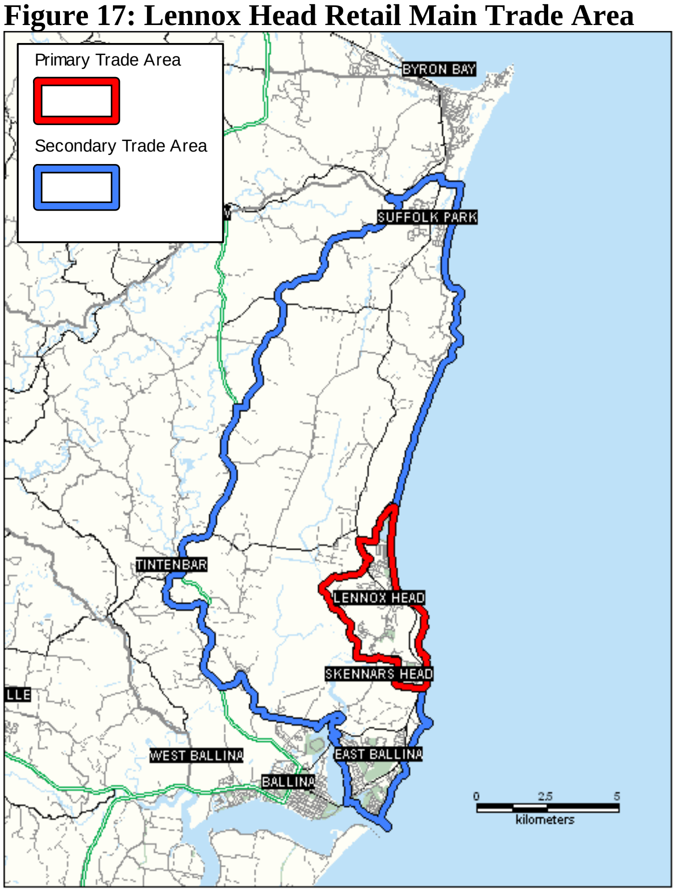
The existing retail role in Lennox Head is focused on the convenience and tourism markets, with its proximity to Ballina, a smaller population base and limited suitable land constraining the majority of retail development opportunities. With new residential growth and the associated population increases occurring, additional retail demand and opportunities will arise. In order to assess the quantum and timing of this demand, an assessment of retail need has been undertaken.

The assessment of retail need has been based upon a trade area and analogue methodology, which includes the following main steps:

- Define main trade area, influenced by size of town, existing retailing, competitive framework and physical barriers.
- Estimate population growth across trade area
- Determine the total retail market and total floorspace need
- Apply realistic trade area market shares and account for visitor expenditure
- Assess realistic market outcomes
- Account for existing retail floorspace and calculate net over/under supply.

The main trade area (MTA), including a primary and secondary component is illustrated below in Figure 17.

Figure 17: Lennox Head Retail Main Trade Area



Source: MapInfo, Petrac.

As illustrated above, the PTA is limited to the Lennox Head urban area, while the secondary trade area extends to Suffolk Park in the north, East Ballina in the south and the Pacific Highway to the west.

Population growth for the trade area has been based upon a combination of TDC Population projections and future residential lot release, while the total retail market is based on the definition of shopfront retailing adopted by the ABS for the purpose of collecting retail statistics. For the purpose of this assessment, the total retail market has been sub-divided into a combination of three major spending categories:

- Grocery – includes all food, beverage and grocery products in addition to tobacco and alcohol.
- Non-food – includes all expenditure on clothing, footwear, household furnishings and equipment, electrical, hardware and garden.
- Other – includes all expenditure on restaurants, take-away, pharmacy, toiletries and cosmetics.

The total retail market within the catchment in 2006 and future years is assessed by combining the population forecasts with average per capita expenditure levels[2]. Figure 18 highlights this, with the total retail pool generated by trade area residents in 2006 equating to:

- Food - $59.9m
- Non- Food - $70.0m
- Other - $26.1m

The total retail market generated from the Lennox Head MTA can be expected to increase in future years as a result of the following factors:

- Residential growth and trade area population increase
- Real growth in retail expenditure, which indicates increased propensity of retail consumption above inflation
- Retail Price Inflation as measured by the ABS based on a basket of retail goods and services.

A combination of these factors can be expected to result in increases in the retail spending generated by residents of the catchment over the period to 2016. In terms of real growth in retail expenditure, 2% pa growth has been forecast for food expenditure and 1% pa growth for non food and personal services, based upon the historical growth rates experienced across both NSW and nationally. It must be noted that price inflation has been excluded from the analysis of available retail expenditure in order to present future market forecasts in constant 2006-dollar terms.

The result of this growth will see the MTA retail market increase from some $162m in 2006 to over $225m by 2016, an increase of $63m or 39% over the ten-year period.

[2] Retail expenditure is derived using MarketInfo, a micro simulation model developed by MDS Market Data Systems Pty Ltd. This model is based on information from the national ABS Household Expenditure Survey (HES), the Census of Population and Housing as well as other information sources (i.e. ABS National Accounts, Australian Tax Office Statistics, Medicare data etc), and uses micro simulation techniques to combine propensity to spend on particular commodities with socio-economic characteristics of individuals, to derive spending estimates on a small area basis (i.e. CCD level).

This $ spending potential sourced from the catchment area is converted to square metres of retail floor space by allocating average trading levels ($\$/m^2$) by category type. In this instance trading levels have been based on a combination of Australian averages sourced from the ABS, *Retail Industry Survey* and local information sourced from the *Ballina Retail Strategy Background Report*.

Based on the above the existing trade area retail demand generated by all catchments residents is for some 36,200m^2 of retail floor space, including:

- 10,000 m^2 of grocery
- 17,500 m^2 of non-food
- 8,700 m^2 of other

The above levels are based on the scenario where 100% of resident expenditure is retained within the catchment, and subsequently there is no 'escape expenditure' or conversely tourism/visitor injections.

This scenario is obviously unrealistic, particularly for Lennox Head which is both a part of wider retail hierarchy within the Ballina/Byron area and a tourism/visitor destination in its own right. In order to assess a realistic market potential or retail floor space demand, market shares need to be allocated that account for both the competitive retail environment and its proximity to higher retail offers at Ballina – in addition to expenditure injections from visitation. The market shares utilized are based on actual benchmark store performances, industry averages and differ for each of the retailing categories.

The result is an actual retail floor space demand in 2006 for Lennox Head of:

- 2,500 m^2 of grocery
- 2,400 m^2 of non-food
- 1,000 m^2 of other

Given existing retail supply levels in Lennox Head, the current floor space mismatch, that is the existing supply minus the existing demand and expressed as either an undersupply (+) of oversupply (-) of floor space is as follows:

- **+ 1,800 m^2 of grocery**
- **+ 900 m^2 of non-food**
- **- 650 m^2 of other**

Results of the retail need assessment indicate that there is immediate demand for 'grocery' retailing in Lennox Head, which is consistent with findings from the Ballina Retail Strategy Background Report which states *"that there is scope for a medium size supermarket and a few supporting specialty shops in the Lennox Head Region sometime in the next 2-3 years."*

The assessment also indicates that demand exists for an additional 900 m^2 of 'non-food' floor space, while on the other hand there is an existing over supply of 'other' floor space, which in the case of Lennox Head primarily relates to restaurants and take away.

It is important to note that the above analysis refers to current (2006) unmet demand. As Lennox Head and surrounds continue to expand, this demand will increase significantly – resulting in significant over-trading of existing retailers.

By rectifying the current supply/demand mismatch – the amount of escape expenditure is reduced, benefiting residents in terms of increased convenience and range of goods and services and reduced drive-times and reliance on vehicular transport for basic shopping needs.

Figure 18 following illustrates the underlying forecast retail need for Lennox Head to 2016.

Figure 18: Lennox Head Forecast Retail Need

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Resident Population											
Primary Trade Area	6,891	7,158	7,425	7,692	7,959	8,226	8,486	8,746	9,006	9,266	9,526
Secondary Trade Area	11,351	11,561	11,771	11,981	12,191	12,401	12,611	12,821	13,031	13,241	13,451
MTA	18,242	18,242	18,242	18,242	18,242	18,242	18,242	18,242	18,242	18,242	18,242
Resident Food Market ($M)											
Primary Trade Area	21.28	22.55	23.86	25.21	26.60	28.05	29.51	31.02	32.59	34.20	35.86
Secondary Trade Area	38.62	40.12	41.67	43.26	44.90	46.58	48.32	50.11	51.95	53.84	55.79
MTA	59.90	62.67	65.52	68.47	71.50	74.63	77.83	81.13	84.53	88.04	91.65
Resident Non Food Market ($M)											
Primary Trade Area	26.02	27.30	28.60	29.93	31.28	32.65	34.02	35.41	36.83	38.27	39.74
Secondary Trade Area	43.95	45.21	46.50	47.80	49.12	50.47	51.84	53.23	54.64	56.08	57.53
MTA	69.98	72.52	75.10	77.73	80.40	83.12	85.86	88.64	91.47	94.35	97.27
Resident Personal Service Market ($M)											
Primary Trade Area	9.65	10.13	10.61	11.10	11.60	12.11	12.62	13.14	13.66	14.20	14.74
Secondary Trade Area	16.43	16.90	17.38	17.86	18.36	18.86	19.37	19.89	20.42	20.95	21.50
MTA	26.08	27.02	27.99	28.96	29.96	30.97	31.99	33.03	34.08	35.15	36.24
Retail Floorspace Supported by MTA Residents assuming 100% retention (sqm)											
Grocery (inc Alcohol & Tobacco)	9,983	10,445	10,921	11,411	11,917	12,439	12,972	13,522	14,089	14,673	15,275
Non Food	17,494	18,129	18,775	19,432	20,100	20,780	21,464	22,160	22,867	23,587	24,318
Other (inc Rest & Takeaway)	8,693	9,008	9,329	9,655	9,987	10,324	10,664	11,009	11,360	11,717	12,081
Total	36,171	37,582	39,024	40,498	42,004	43,542	45,100	46,691	48,316	49,977	51,674
Lennox Head Retail Need based on Realistic Market Shares (sqm)											
Grocery (inc Alcohol & Tobacco)	2,545	2,678	2,816	2,958	3,105	3,257	3,411	3,571	3,735	3,904	4,079
Non Food	2,411	2,507	2,603	2,702	2,802	2,904	3,006	3,110	3,216	3,324	3,433
Other (inc Rest & Takeaway)	1,042	1,084	1,126	1,169	1,212	1,257	1,301	1,346	1,393	1,439	1,487
Total	5,998	6,268	6,545	6,829	7,120	7,417	7,719	8,027	8,344	8,668	8,999
Existing Supply (sqm)											
Grocery (inc Alcohol & Tobacco)	700	700	700	700	700	700	700	700	700	700	700
Non Food	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Other (inc Rest & Takeaway)	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Total	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900
Lennox Head Additional Retail Need (sqm)											
Grocery (inc Alcohol & Tobacco)	1,845	1,978	2,116	2,258	2,405	2,557	2,711	2,871	3,035	3,204	3,379
Non Food	911	1,007	1,103	1,202	1,302	1,404	1,506	1,610	1,716	1,824	1,933
Other (inc Rest & Takeaway)	-658	-616	-574	-531	-488	-443	-399	-354	-307	-261	-213
Total	**2,098**	**2,368**	**2,645**	**2,929**	**3,220**	**3,517**	**3,819**	**4,127**	**4,444**	**4,768**	**5,099**

Source: ABS Retail Industry Report, MDS – MarketInfo, Ballina Shire Retail Strategy, IBECON – Ballina Shire Retail Strategy Background Report, Petrac

10 FORECAST CHILDCARE NEED

Demand/supply for a child care centre is influenced by the following industry characteristics:

- Child care centres have specific maximum capacities for varying age groups and vacancies are not interchangeable among all age groups. As a result vacancies may only exist for a specific age range on specific days. Therefore, although a centre is not running at full capacity, time/day-specific restrictions on vacancies effectively render these places unusable for some parents.
- Where a parent has two children requiring care in different age groups their ability to place them in the same centre on the same days becomes drastically reduced.
- Extra staffing requirements for the 0-2 age care tend to limit the number of places available in this age group.
- Therefore although there may be childcare spaces available in local facilities these places can often be only for certain age groups and/or for limited times

The assessment of child care need undertaken for the purpose of this study, has been based on demand for formal long day care, which is directly related to the number of children in the 0-4 age group.

Figure 19 summarises the target and total populations of children and day care places within the Ballina Shire. In 2006 there were a total of around 40,920 residents of which around 2,210 (5%) were children aged 0-4 years.

In terms of the target population, that is 0-4 year olds with both / only parent are working, there were 806 children. At the same time there are some 447 long day care spaces within the shire. Family day care places were not included after discussions with Ballina/Byron Family Day Care Association indicated that lack of providers and an inability to provide full-time and all-day positions made them an unsuitable comparison.

The result is an immediate requirement of some 359 long day care places or a supply ratio of 1.8. This is a ratio that compares supply with demand. The larger the number, the more unmet need for child care exists. i.e. a ratio of 1.8 means that there are 1.8 children for every one full time place.

A survey undertaken by Petrac of all existing child care providers within the shire indicated limited waiting times, however most vacancies were age specific and often limited to different days. The existing centre in Lennox for example had some places available on most days, however only catered for children aged 2-4.

An investigation of demand in the Byron area indicated significant waiting lists in the 3 existing providers.

Figure 19: Forecast Child Care Need – Ballina Shire

	2006
Age Profile	
All 0-4 Ballina Shire	2,210
LDC Target Market	
0-4 LDC Target Market	806
Existing Supply (Long Day Care)	
A.B.C. Developmental Learning Centre - East Ballina	**90**
Ballina Early Learning Centre	**75**
Ballina Kiddi Care Centre	**28**
Rainbow Children's Centre	**50**
River Street Child Care Centre	**28**
A.B.C. Developmental Learning Centre - Lennox Head	**46**
A.B.C. Developmental Learning Centre - Tintenbar	**56**
Alstonville Nestle In Childcare Centre	**46**
Premier Early Learning Centre - Alstonville	**28**
Wollongbar 'Little Angels'	**39**
Total	*447*
Child Care Requirement	**359**
Supply Ratio (children per space)	**1.8**

Source: National Childcare Accreditation Council Inc, Petrac, DPNR, Transport and Data Centre – Detailed Population Projections, 2004

In terms of future market growth, the 0 – 4 age cohort across the Ballina shire is forecast to taper away slightly over the next 10 years, with the population growth driven by increases in the 55+ age cohorts.

That said, within the Lennox Head area – continued residential development of larger detached homes will continue to attract young families and professionals with dependants, which in-turn will result in an increase in demand for childcare.