

HOBSONS BAY PLANNING SCHEME AMENDMENT 88, PRECINCT 15, ALTONA NORTH

EXPERT WITNESS STATEMENT:

COMMERCIAL OFFICE ASSESSMENT

URBIS STAFF RESPONSIBLE FOR THIS REPORT WERE:

Director	Rhys Quick
Senior Consultant	Mike Zhang
Project Code	PER0672

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INTRODUCTION

PLANNING PANELS EXPERT WITNESS STATEMENT

1. This report has been prepared by Rhys Matthew Quick, Director, Property Economics & Research, Urbis Pty Ltd, 12th Floor, 120 Collins Street, Melbourne.
2. My qualifications and experience include a Bachelor of Economics (Honours) from Monash University, together with almost 19 years' experience in Property Economics and Research consulting, with my specialisation being the preparation of Economic Impact and Supply and Demand Assessments relating to the development of property. My Curriculum Vitae is attached as Appendix B.
3. Assistance in undertaking some of the analysis in this report has been provided by Mike Zhang, Senior Consultant with Urbis.
4. I was engaged by Submitter #82, who acts on behalf of land owners of Property #8 and Property #9, in mid-October 2017 in relation to their property holdings in Altona North. I have prepared this document considering the appropriateness of the allocation of some of their land holding to a commercial/mixed use precinct.
5. I received formal written instructions in this matter from Mr Mark Naughton, Director of Submitter #82, detailed in a letter dated 13 October 2017 as follows:

We refer to the brief of materials provided to you in respect of the above matter. Planning Property Partners and Urbis continue to act for TIC Group Pty Ltd (TIC), owner of 232 Blackshaws Road, Altona North and George Weston Foods Limited (GWF), owner of 248 Blackshaws Road, respectfully.

TIC are also the current owners of 214 Blackshaws Road, with Ouson Pty Ltd having purchased the site, subject to the land being rezoned. Please note that your brief specifically relates to the sites at 232 Blackshaws Road, Altona North. Ouson have appointed their own representation regarding the land at 214 Blackshaws Road, Altona North.

Instructions

You are instructed to:

- *Review the material supplied to you in relation to this matter;*
- *Consider and formulate your own opinions with respect to the following matters, within the limits of your expertise:*
 - i. whether the proposed 'commercial area' is appropriate in the proposed location;*
 - ii. whether the proposed 'commercial area' is appropriate within the broader context; and,*
 - iii. whether you would recommend any changes to the exhibited documents;*
- *Prepare a report which sets out the conclusions which you have reached, and clearly states the basis upon which you have arrived at that conclusion, including any facts you have relied upon or assumption which you have made which form part of the reasoning by which you reach your conclusions.*

6. In preparing this report, I have had reference to documents provided to the Panel to this time relating to the preparation of the Amendment.
7. I, Rhys Matthew Quick, hereby adopt this Expert Witness report as my evidence and state as follows:
- the factual matters stated in this report are, as far as I know, true;
 - I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the Panel;
 - the opinions stated in this statement of evidence are genuinely held by me;
 - the statement of evidence contains reference to all matters that I consider significant; and
 - I understand the expert's duty to the Panel and have complied with that duty.



Rhys Quick Signed:
Director, Property Economics & Research
Urbis Pty Ltd Dated: 13 November 2017

SUMMARY OF OPINIONS

8. On the basis of the analysis presented in this statement, the following points represent the summary of my opinions in this matter:

- **Residents of the City of Hobsons Bay will leave the municipality to access office-based employment**, but this is to be expected given the proximity to employment opportunities within the City of Melbourne in particular and other nearby activity centres and clusters.
- There is only a modest provision of office floorspace in the City of Hobsons Bay currently. Most of what office space does exist and is in the pipeline for delivery is ancillary to other uses such as in industrial precincts or local office space in shopfronts. There is **not a market for major office development** in the municipality now or in the short to medium term.
- There is a large amount of appropriately zoned land across the City that would allow office development either 'as of right' or with a permit. **Increased intensification of existing zoned land could accommodate any future need for office space.**
- There will be some demand for increased office development over time to service a growing population and white-collar workforce. However, over the next 20 years or so, across the whole municipality, **the need for office space is anticipated to be in the order of 15,000 – 26,000 sq.m**, a considerable increase in current office supply.
- The subject land on which commercial office development is proposed in Altona North **does not possess many of the typical site attributes required** to be attractive to office tenants and therefore development. The lack of demand for office development in Hobsons Bay generally is a major challenge, but even then, the subject land lacks the access by road or public transport, exposure or amenity to compete strongly with other potential locations for office space in the municipality.
- In this context, I believe that **an allowance for 33,000 sq.m of commercial floorspace in the Altona North activity centre is grossly excessive**. An appropriate allowance for commercial/office provision within the local activity centre to be created at Altona North **is at most 10,000 sq.m** over the long-term, **most likely closer to 5,000 sq.m**.
- In my opinion, there is no need to set aside land on Properties 8 and 9 for commercial/mixed use. These properties further to the west of the planned activity centre of Precinct 15 are removed from where future activity will be concentrated at the town centre. **All future commercial need can be accommodated on, or immediately adjacent to, the local town centre site**. The 1,300 sq.m of commercial space allocated to the local town centre, combined with the opportunity for further intensification of commercial development on the adjoining Property 10, will provide **more than sufficient capacity to meet future demand**.
- Maintaining a commercial/mixed use designation on Properties 8 and 9 will only serve to **sterilise the land from development**. Demand will not exist in the foreseeable future, and therefore the sites will remain vacant, or otherwise be developed for their highest and best use of residential. **Vacant land does not create the employment opportunities** that the precinct is intended to create.

SOURCES OF INFORMATION

9. This statement draws on a variety of information and sources provided to this office, the most important of which are:
- Altona North Background Report, Victoria Planning Authority, June 2017
 - Altona North Comprehensive Development Plan, Victoria Planning Authority, June 2017
 - Altona North Development Contributions Plan 2017 – 2037, Victoria Planning Authority, June 2017
 - Altona North Precinct Commercial Office Floorspace Provision, Essential Economics, September 2017
 - Blackshaws Road – Precinct 15 – Landowners Meeting, Mesh, 27 September 2016
 - Hobsons Bay Activity Centres Strategy: Technical Report, Hobsons Bay City Council & Essential Economics, December 2016
 - Ordinary Council Meeting Minutes, Hobsons Bay City Council, 14 February 2017

ABBREVIATIONS

ABS	Australian Bureau of Statistics
CBD	Central Business District
CDP	Comprehensive Development Plan
CDZ	Comprehensive Development Zone
DCP	Development Contributions Plan
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DELWP	Department of Environment, Land, Water and Planning
ERP	Estimated Resident Population
GWF	George Weston Foods Limited
LGA	Local Government Area
MAC	Metropolitan Activity Centre or Major Activity Centre
NAC	Neighbourhood Activity Centre
NEIC	National Employment and Innovation Cluster
TIC	TIC Group Pty Ltd
VPA	Victorian Planning Authority

1. AMENDMENT CONTEXT

10. In this section, I review the proposed Precinct 15 development in Altona North which will be facilitated by Amendment C88 to the Hobsons Bay Planning Scheme, with a focus on the provision for commercial development. I also consider the context for planning for local jobs as detailed in various State and local policy documents.

1.1. PROPOSAL FOR ALTONA NORTH

11. Amendment C88 facilitates the redevelopment of former and existing industrial land to a residential and mixed use form including a provision for local retail and commercial facilities.
12. The subject land is generally bounded by the West Gate Freeway, New Street, Blackshaws Road and Kyle Road in Altona North and South Kingsville. This area is shown in Map 1.1.

Altona North (Precinct 15) Land

Map 1.1



13. The residential development across the site is intended to be largely low to medium rise, although with opportunities for greater density in suitable locations on parts of the site. Retail and other commercial development is proposed to be concentrated in a single activity centre along part of the Blackshaws Road frontage.
14. The Amendment will apply a Comprehensive Development Zone (CDZ) to the site, with two incorporated plans to guide the layout, use and service provision across the site - the Comprehensive Development Plan (CDP) and the Development Contributions Plan (DCP).
15. The Altona North CDP contains the following vision statements:
- “The Altona North Precinct represents an exciting opportunity to develop a vibrant, accessible and sustainable residential community that will support approximately 7,000 people in high quality homes with a full range of facilities to provide a mixed use development that integrates with and enhances the existing urban environment.*
- The area will allow for the conversion of previously industrial lands into a new community in the heart of an existing residential area. Development will respond well to the character of the surrounding area through the provision of low-rise townhouses around the perimeter of the site, transitioning toward some medium rise apartments in the centre of the large site where the impact of development on existing residents will be limited. New development will respond sympathetically to*

allow existing industrial activities to continue to operate and will reference its former industrial past through the interpretation of design.

A new local town centre is located on Blackshaws Road and its alignment is essential to linking existing and future communities. It is envisaged to include a supermarket, cafes, restaurants and other specialty retail with the ability for apartments to be located above the ground floor. The town centre will include civic spaces to encourage pedestrian activity and the ability to hold small public events. The town centre will integrate with the existing mixed-use centre at 216-230 Blackshaws Road that includes a large medical centre and the future 'business area' which will incorporate a new community centre.

The 'business area' will be centred upon a distinctive boulevard street that diagonally connects with The Broadway. This link will mark the entrance to the new community which will provide a direct view line from the community centre that terminates at the key open space in the centre of the precinct. The spine road has been designed with enhanced street trees and a focus on the amenity of the cyclist and pedestrian around a mix of office and residential uses to encourage the creation of local jobs. Combined with the town centre, and some of the existing uses within the existing Business Park, the area will integrate as a mixed use centre over time to encourage activity and intensification along Blackshaws Road and the north-south spine roads."

Source: Altona North Comprehensive Plan, June 2017, pg. 6

16. The future urban structure depicted in the CDP is shown here as Figure 1.

Figure 1 – Altona North CDP – Future Urban Structure



1.2. COMMERCIAL DEVELOPMENT

17. As mentioned above, the retail and commercial components of the proposed Altona North precinct are intended to be concentrated in an activity centre along Blackshaws Road. This includes a local town centre (shown in purple on Map 1.2), further commercial/mixed use (orangey pink) and a local community facility (lime green).
18. The town centre and commercial precinct sits across part of four separate properties/ownership lots referred to in the Amendment documentation as properties 8, 9, 10 and 11, as shown earlier in Map 1.1.
19. The lots and their current and proposed future use are summarised in the table below.

Town Centre and Commercial Area Properties

Owner, Current and Future Use

Table 1.1

Property No.	Owner	Current Use	Intended Future Use
8	George Weston Foods	Vacant former industrial site	Commercial/mixed use with community facility fronting Blackshaws Road. Residential on the northern portion.
9	TIC Group	TIC Group operations	Commercial/Mixed use. Major north-south boulevard on site. Residential on the northern portion.
10	Unknown multiple owners	Medical centre, kids play centre, post office, education college, Taco Bill, sweets shop/café towards Blackshaws Road, Shaws Business Park to the rear (automotive repairs/parts, flooring retailer, gym, document scanning, event production)	Area closest to Blackshaws Road to be retained as commercial/mixed use and integrated with the adjacent local town centre with increased intensity of development in time. The Business Park sits on land designated for future residential development, although the current use is expected to be accommodated within the broader development for a period of time.
11	TIC Group/Ouson Group	TIC Group operations	Local Town Centre. Residential on the northern portion.

20. As can be seen from the table above, there is already some commercial/retail development adjacent the future town centre on property 10. Although set aside for future commercial/mixed use land, I would characterise a number of current uses on the site as retail or related facilities best located within a local town centre (post office, restaurant, café). Although the medical centre is significant and a relatively recent development, the remainder of the site is underdeveloped as a narrow, single level structure with large areas of at-grade car parking.
21. The Altona North CDP details the anticipated retail and commercial yield across the town centre and commercial areas in the Table 1.2.

Retail and Commercial Yields

Gross Areas, Sq.m

Table 1.2

Use/Area	Retail (Sq.m)	Commercial (Sq.m)
Local Town Centre		
Retail (Food and Beverage)	3,060	
Supermarket	2,420	
Commercial (first floor)		1,300
Business Areas		
Existing (new commercial above) – Property 10		5,400
Proposed (2 storey) – Property 9		13,320
Proposed (2 storey) – Property 8		13,020
Total (Rounded)	5,500	33,000

Source: Altona North Comprehensive Development Plan, Table 5, pg. 37.

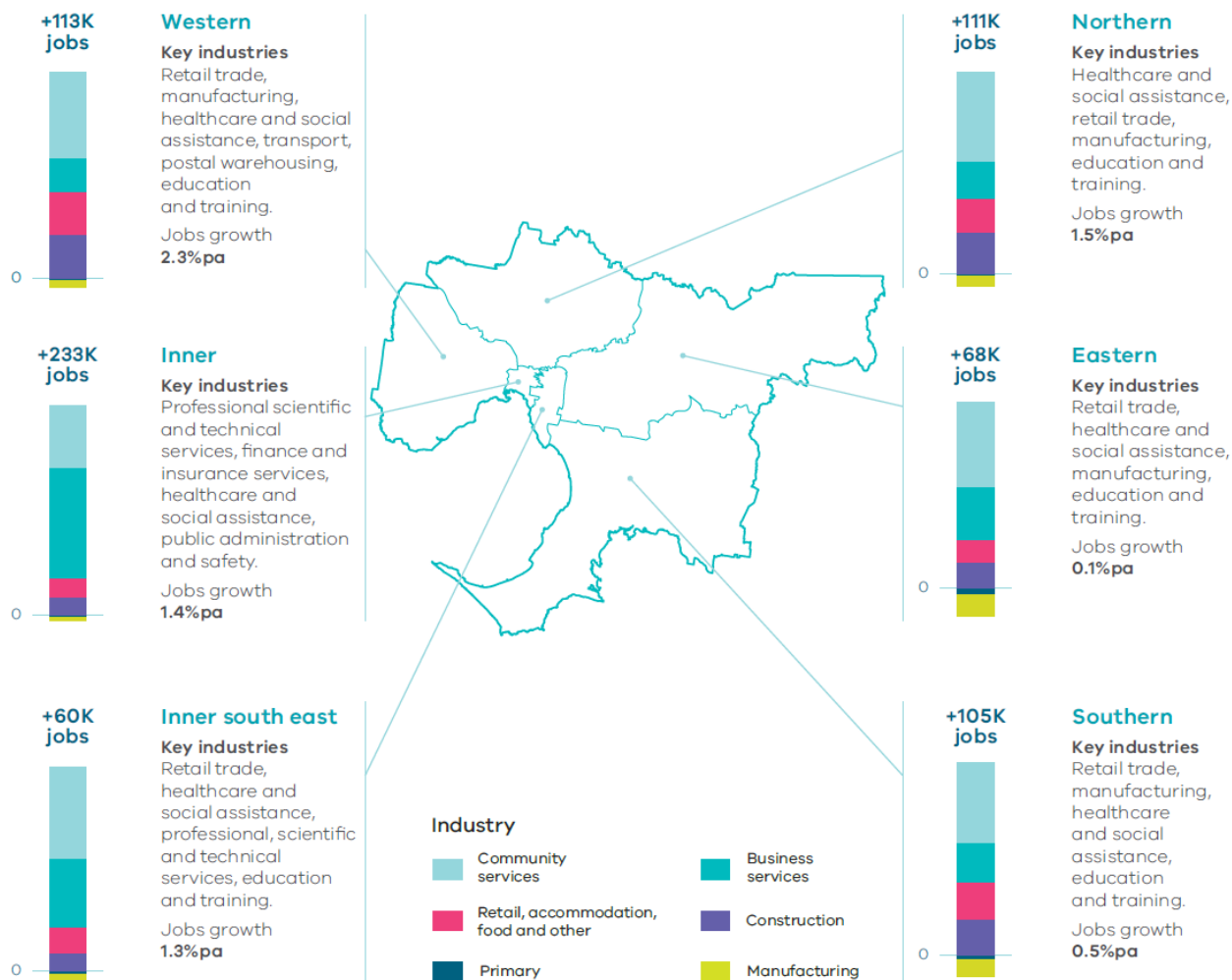
22. I note that Property 10 which is located adjacent to the local town centre site has only been indicated as accommodating 5,400 sq.m of commercial space out of the total allocated of 33,000 sq.m. This appears to me to be a significant understatement of the potential of that site over time. I have estimated the current uses on site to be in the order of 5,000 sq.m, with commercial rather than retail uses representing around half of that space. Multi-storey development with greater site coverage (perhaps with car parking underneath) could see a substantially greater commercial yield from that site. Despite the site covering around 36% of the commercial/mixed use area shown in the CDP, only 17% of the commercial yield across the business areas has been allocated to the property. The greater potential yield on Property 10 is considered further in later sections.
23. As detailed in the introduction to this statement, I have been asked by George Weston Foods and the TIC Group to consider the need for the commercial designation to be applied to their land. Much of the remainder of this statement is devoted to considering the need for the 33,000 sq.m commercial floorspace allowance across the town centre and other commercial/mixed use areas.

1.3. A FOCUS ON LOCAL JOBS

24. As detailed through the supporting documentation to the Amendment, and the Council's Part A Submission dated 9 November 2017 which I have been provided a copy, the provision of a local town centre and supporting commercial precinct is predicated on the need to provide employment opportunities, and particularly local jobs for local residents, as indicated by various State and local planning policies.
25. Some of the key policy statements or clauses include the following:
 - State Planning Policy Framework
 - a. Clause 11.06-01 (Jobs and Investment) contains the objective to create a city structure that drives productivity, attracts investment, supports innovation and creates jobs.
 - b. Clause 17.01-1 (Business) seeks to encourage development which meets the communities' needs for retail, entertainment, office and other commercial services and provides net community benefit in relation to accessibility, efficient infrastructure use and the aggregation and sustainability of commercial facilities.
 - c. Clause 21.08 (Economic Development) seeks to stimulate and facilitate appropriate industrial activity and employment opportunities.

- Plan Melbourne 2017-2050
 - a. Policy 1.1.7 Plan for adequate commercial land across Melbourne – discusses the increasing demand for **well-located** and competitively-priced commercial land, with activity centres and commercial areas to be increasingly mixed use in nature. Future commercial land requirements need to be quantified **by region**.
 - b. Policy 2.1.2 Facilitate an increased percentage of new housing in established areas to create a city of 20-minute neighbourhoods close to existing services jobs and public transport.
 - c. Policy 5.1.1 Create mixed-use neighbourhoods at varying densities, with the intention of accommodating more diverse population, create opportunities for local businesses and new jobs, and deliver better access to local services and facilities.
26. While I agree that increasing employment opportunities for local residents is an admirable goal, in setting aside land to accommodate jobs, employment market realities must be considered.
27. Firstly, job containment within a municipality (i.e. all residents who work are employed in the municipality) is not achievable, nor desirable. When searching for a job, while it is generally desirable to find work close to home, municipal boundaries are invisible.
28. Even in discussing the concept of a 20-minute neighbourhood, Plan Melbourne 2017-2050 makes an important clarification:
- Creating accessible, safe and attractive local areas where people can access most of their everyday needs **within a 20-minute walk, cycle or local public transport trip**, will make Melbourne healthier and more inclusive. **Due to the specialised and diverse nature of work, many people will still need to travel outside of this 20-minute neighbourhood for their jobs.***
- Source: Plan Melbourne 2017-2050, pg. 10*
29. This statement is particularly relevant to office-based employment in inner metropolitan municipalities where there are significant white-collar employment opportunities just beyond the municipal boundary. In fact, for many residents of the City of Hobsons Bay, the vast number of employment opportunities presented by Melbourne's CBD and surrounding central areas are accessible within 20-minutes travel time.
30. Previous Council-based planning in Melbourne has predominantly been focused on providing an increased range of jobs within a municipality to service the employment needs of residents in that municipality. However, the 20-minute neighbourhood concept removes the focus on municipalities as the area of analysis. The key consideration following the release of Plan Melbourne is the ability of people to access some jobs and all every-day needs within 20 minutes of their home. This highlights the significance of regions rather than municipalities as a more strategic focus when considering the provision of employment as well as other services.
31. To facilitate strategic planning and co-ordinated action on a State-wide and local level, Plan Melbourne 2017-2050 has taken a regional approach to metropolitan planning by dividing Greater Melbourne into six metropolitan regions as shown in Figure 2.

Figure 2 – Melbourne's Regions and Jobs Growth, 2015-2031



Notes:

Jobs growth Estimated compound annual growth rate, July 2011–July 2015 (Department of Economic Development, Jobs, Transport and Resources, internal analysis, 2016).

Source: Department of Economic Development, Jobs, Transport and Resources, internal analysis (2016)

Source: *Plan Melbourne 2017-2050*, pg. 21

32. Secondly, commercial development of any significant scale is only suitable within certain locations. Office space in particular is only viable when certain conditions are met including factors such as access, exposure, amenity for workers and complementary activity. Simply designating an area as a desired location for commercial floorspace will not see an office development emerge if the attributes of the site and location are inappropriate for that use.
33. The term “well-located” in policy 1.1.7 of Plan Melbourne reflects the need to ensure commercial development proceeds in the right location, not just any location.
34. In considering the future need for commercial development in Altona North, a realistic assessment of the potential future level of job containment for Hobson’s Bay is necessary, along with consideration of the merits of the location to accommodate a sizeable commercial precinct relative to other alternative locations within the municipality. The following analysis addresses those two points among others.

2. HOBSONS BAY EMPLOYMENT PROFILE

35. This section assesses the employment profile of Hobsons Bay residents and workers, with a focus on office-based occupations as the driver of commercial office space need. To put things in context, I have where necessary compared my analysis of Hobsons Bay with other Local Government Areas (LGAs) surrounding Central Melbourne, including the LGAs of Maribyrnong, Moonee Valley, Moreland, Yarra, Stonnington, Port Phillip as well as the Melbourne LGA itself. Data presented in this section is based on available information on employment from the 2011 and 2016 ABS Census.

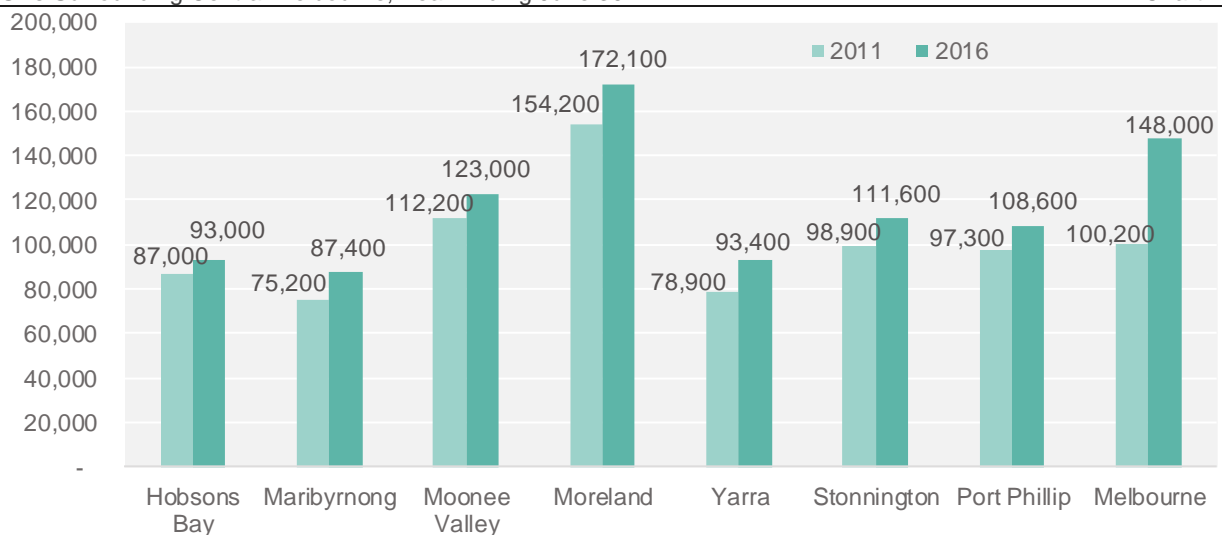
2.1. POPULATION GROWTH

36. Population information for the Hobsons Bay LGA and other inner LGAs is presented in Chart 2.1, based on the latest 2016 ABS Census data.
37. Hobsons Bay experienced relatively modest population growth at around 1.3% per annum on average between 2011 and 2016, the lowest across all inner LGAs and well below the 2.5% annual growth for Greater Melbourne during the same period.
38. With a population of some 93,000, it is now the second smallest LGA surrounding Central Melbourne in terms of population, just above Maribyrnong (approximately 87,400).

Population Growth 2011-2016

LGAs Surrounding Central Melbourne, Year Ending June 30

Chart 2.1



Source: ABS; Urbis

2.2. EMPLOYMENT PROFILE OF RESIDENTS

39. The employment profile of Hobsons Bay residents is assessed in this sub-section.

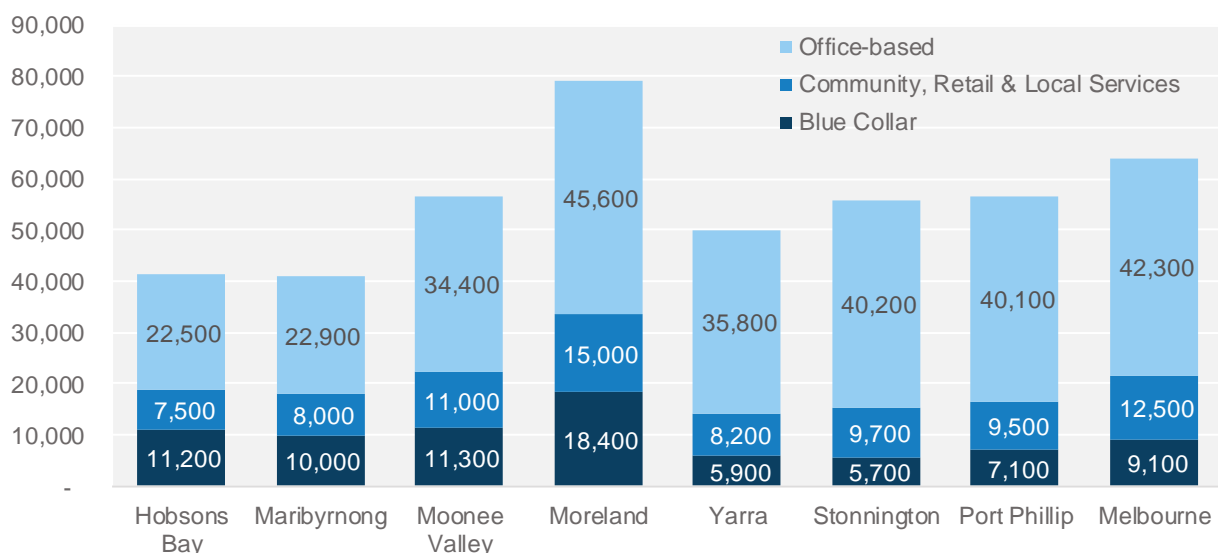
2.2.1. Employment by Occupation

40. Charts 2.2-2.4 present the distribution of resident workers (i.e. local residents who are employed) in Hobsons Bay by occupation, compared to other surrounding LGAs.
41. I have grouped occupations into three categories reflecting the nature of work and the land use requirement: “Office-Based Occupations” (Managers; Professionals; Clerical and Administrative Workers); “Community, Retail & Local Services” (Community and Personal Services Workers, Sales Workers); and “Blue Collar” (Technicians and Trades Workers; Machinery Operators and Drivers; Labourers).
42. Key observations are summarised as follows.
- Reflecting the LGA’s small population size, Hobsons Bay has the second smallest local worker population across all inner LGAs. The total number of resident workers recorded some 41,200 as at June 2016, slightly above that of Maribyrnong at just under 41,000 (Chart 2.2).
 - The LGA has a long history of industrial development, as represented by its large share of blue collar workers at 27% in 2016 compared to other LGAs around Central Melbourne (Chart 2.3). While the office-based workers represent a slightly lower proportion all workers relative to other inner city areas at 55% in 2016, this proportion has grown solidly in recent years from 50.1% in 2006. This trend is driven by the changing demographic of the area as Hobsons Bay continues the process of gentrification.
 - The strongest growth in job numbers between 2011 and 2016 was amongst Managers and Professionals (Chart 2.4)

Resident Workers by Occupation Category 2016¹

LGAs Surrounding Central Melbourne, Year Ending June

Chart 2.2



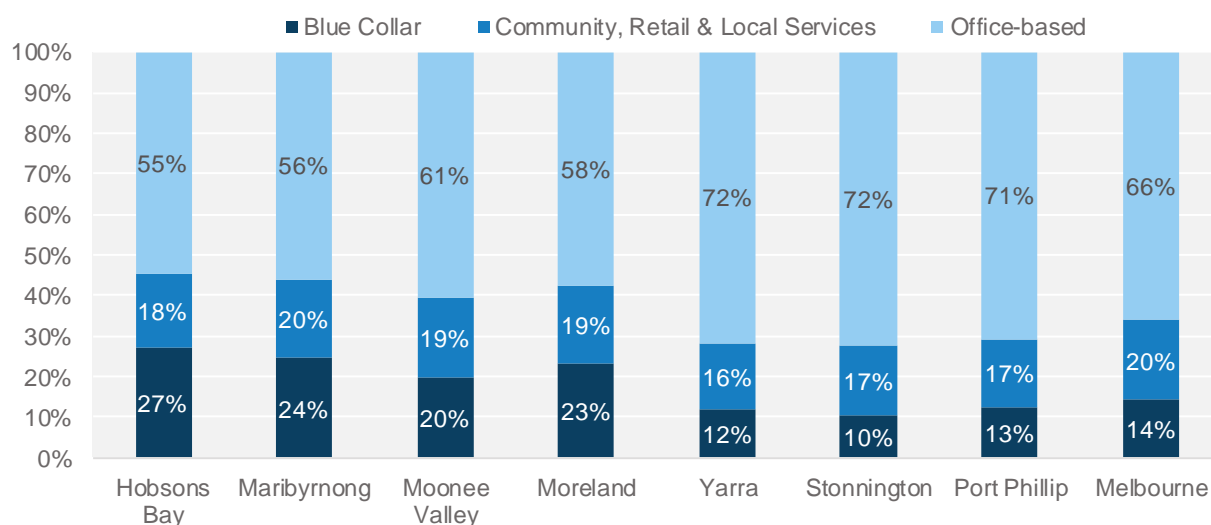
1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.

Source: ABS; Urbis

Resident Workers by Occupation Group (%) 2016¹

LGA's Surrounding Central Melbourne, Year Ending June

Chart 2.3



1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.

Source: ABS; Urbis

Resident Workers by Occupation 2011 vs. 2016¹

Hobsons Bay LGA, Year Ending June

Chart 2.4



1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.

Source: ABS; Urbis

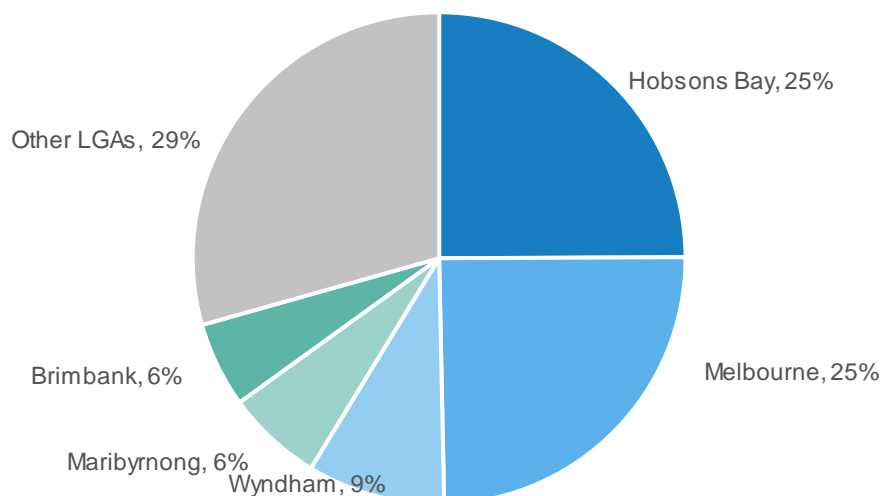
2.2.2. Where Local Residents Work

43. In reviewing the work location of Hobsons Bay residents, while some employment data has been released recently, at the time of writing, the ABS have still not provided the ability to “cross-tab” work and home locations. As such, the discussion here still relies on 2011 Census data.
44. Chart 2.5 highlights that the top-5 employment destinations for Hobsons Bay resident workers in 2011 were all neighbouring LGAs.
- Hobsons Bay and the City of Melbourne were the two major destinations for local residents, each providing around 25% of jobs.
 - The City of Wyndham accounted for 9% of total jobs for Hobsons Bay residents, with Maribyrnong and Brimbank LGAs accommodating 6% of jobs respectively. Altogether, the top-5 employment destinations provided 71% of jobs for resident workers living within Hobsons Bay in 2011.
 - This analysis indicates that the majority of resident workers chose to work either within Hobsons Bay or LGAs that are nearby within a relatively short commute time. The City of Melbourne in particular provided most of the white collar employment opportunities for local resident workers, highlighting the relative ease of access and close proximity just over the West Gate Bridge.
 - As will be analysed in more detail shortly, the fact that 25% of Hobsons Bay resident workers who also worked within the municipality represents a high level of job containment compared to other LGAs surrounding the City of Melbourne.

Where Resident Workers Worked (%) 2011

Hobsons Bay Resident Workers, Year Ending June

Chart 2.5



Source: ABS; Urbis

2.2.3. Job Containment

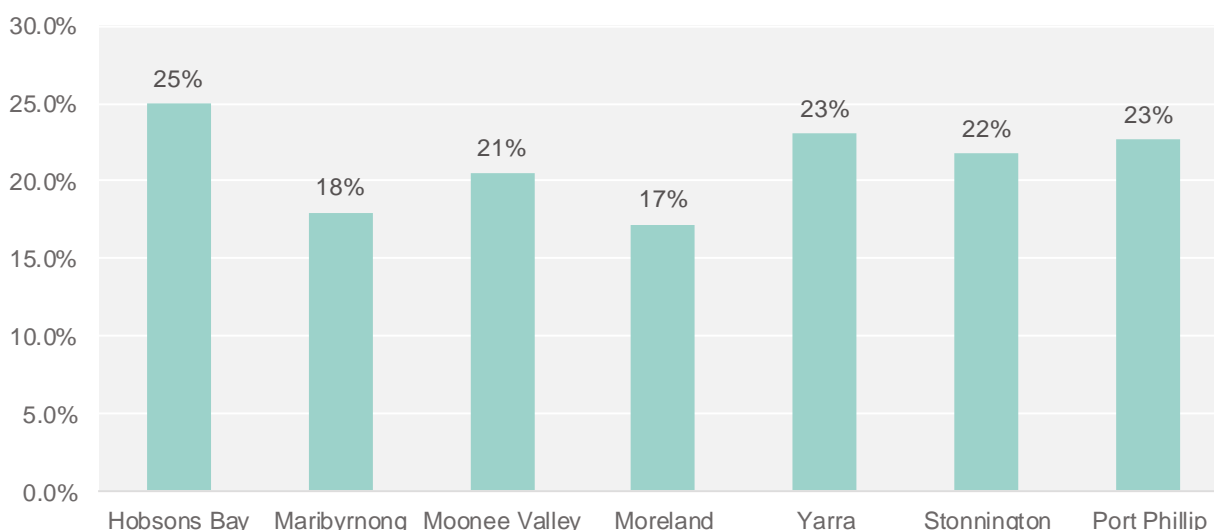
45. Job containment refers to local residents who live and work in the same area as a share of total resident workers in that area. As shown in Charts 2.6 - 2.8:

- Containment levels for LGAs surrounding the City Melbourne are generally lower than outer areas at less than 25%. For example, outer suburban LGAs such as Wyndham typically have a higher containment level at over 30%.
- This relatively low level of average job containment for inner LGAs reflects the draw of the Melbourne CBD which provides convenient access to the single largest concentration of job opportunities for residents living nearby.
- In this context, the City of Hobsons Bay has a comparatively high proportion of residents who live and work in the same LGA at around 25%, the highest across all LGAs immediately surrounding the City of Melbourne (Chart 2.6).
- More specifically, the LGA has the highest level of job containment for Community, Retail and Local Service occupations at 34%, and the second highest level of containment for Blue Collar occupations at 28% (Chart 2.7).
- The level of containment of Office-based occupations is, as would be expected, lower at 20%. However, again, this level of containment is higher or comparable to all other LGAs that border the City of Melbourne. This includes municipalities that are recognised as having more sizeable office markets such as the Cities of Yarra and Port Phillip.
- Chart 2.8 further compares the number of jobs as a share of labour force in each inner-metropolitan LGAs. The Cities of Yarra and Port Phillip provide more jobs relative to its size of labour force, with the number of jobs available in these LGAs being around 1.51 and 1.25 times the size of its local resident labour force respectively. In comparison, other LGAs only provide for roughly between 50% - 90% as many jobs relative to the labour force. This highlights that a share of residents of all areas outside of the key job markets in inner Melbourne travel outside of their region to access employment. In this context, the jobs to labour force ratio of 0.78 for Hobsons Bay is considered typical, and perhaps even above average for a suburban LGA.

Job Containment 2011¹

LGAs Surrounding Central Melbourne, Year Ending June

Chart 2.6



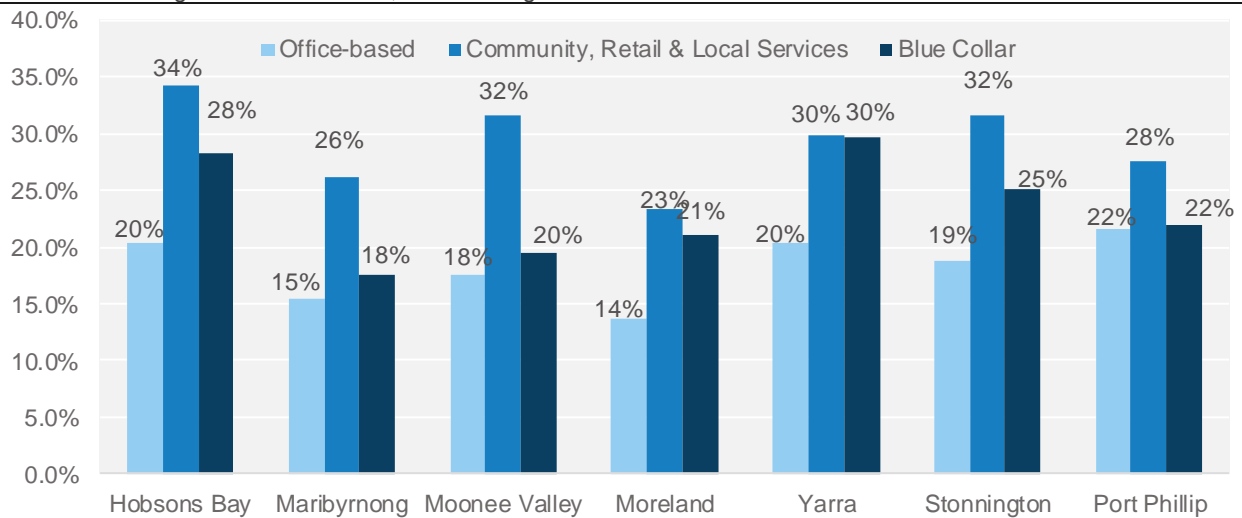
1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.

Source: ABS; Urbis

Job Containment by Occupation Group 2011¹

LGAs Surrounding Central Melbourne, Year Ending June

Chart 2.7



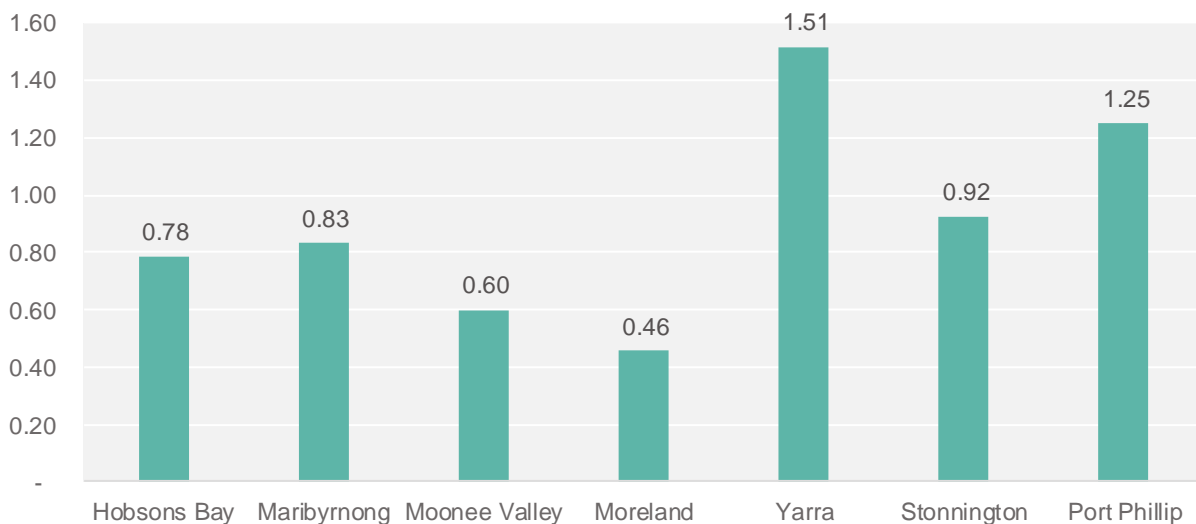
1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.

Source: ABS; Urbis

Jobs to Labour Force Ratio 2016

LGAs Surrounding Central Melbourne, Year Ending June

Chart 2.8



Source: ABS; Urbis

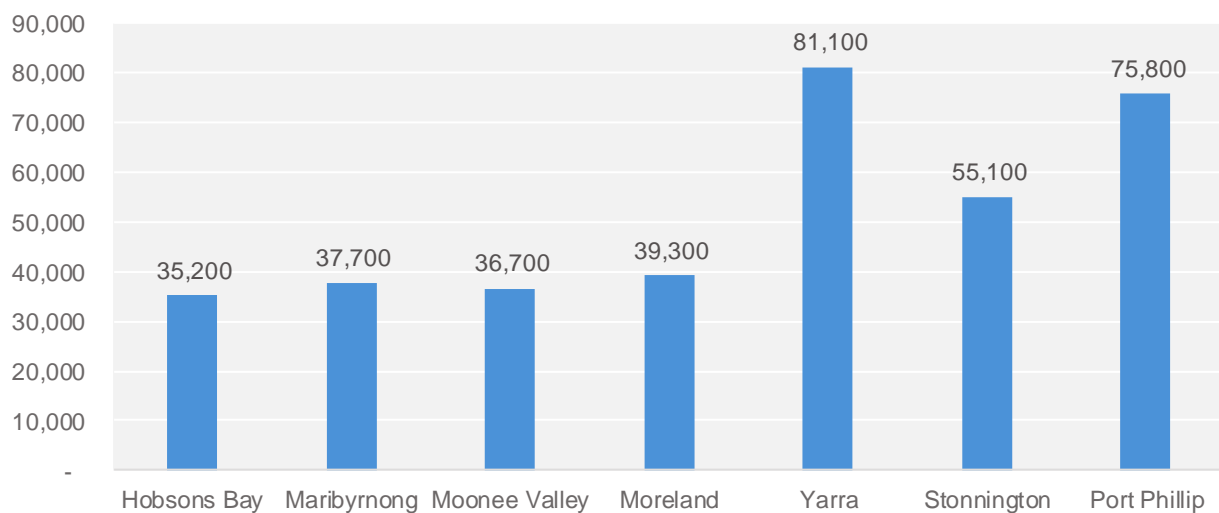
2.3. PROVISION AND GROWTH OF JOBS PROVIDED IN HOBSONS BAY

46. The above analysis has considered where and in which occupations residents of Hobsons Bay work. Here I consider the type and growth of jobs provided within the municipality, again relative to other inner LGAs.
47. Chart 2.9 compares the provision of jobs in 2016 across the inner LGAs. For LGAs immediately surrounding the City of Melbourne, the provision of local jobs is relatively low in comparison, for the obvious reason that jobs are easily accessible in the neighbouring municipality for residents living in these LGAs.
48. Even in sought-after Inner Melbourne employment locations such as the City of Yarra (i.e. South Yarra, Richmond, Cremorne, etc.) and the City of Port Phillip (i.e. South Melbourne, St Kilda, etc.), the number of local jobs is dwarfed compared to the sheer size of jobs provided in the City of Melbourne.
49. In this context, while the 35,200 of jobs provided in Hobsons Bay in 2016 may appear a small number, it is considered typical of an inner-metropolitan LGA.

Provision of Jobs 2016

LGAs Surrounding Central Melbourne, Year Ending June

Chart 2.9



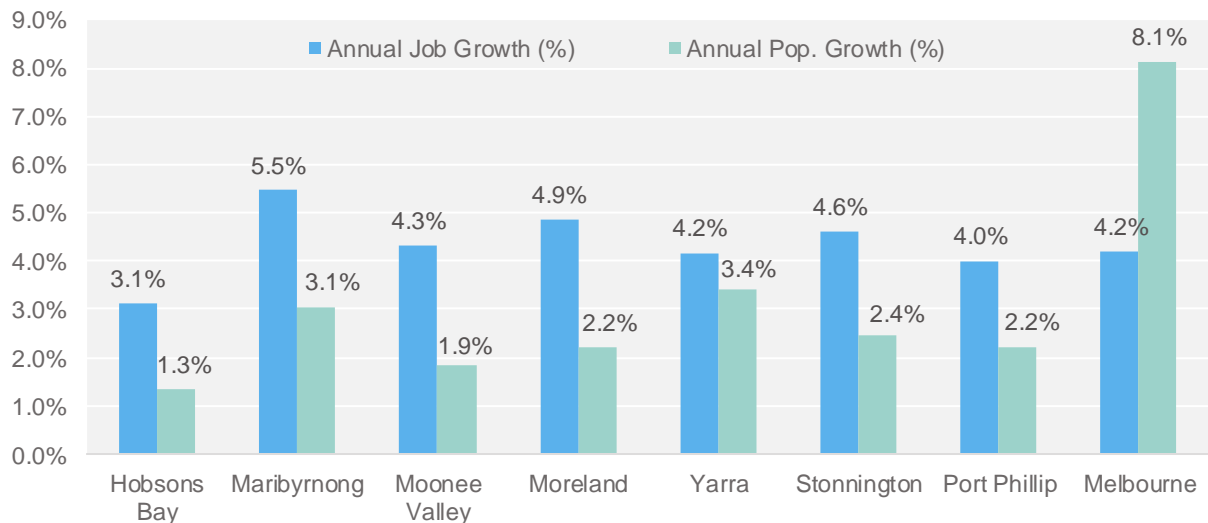
Source: ABS; Urbis

50. Growth in jobs within the City of Hobsons Bay has been quite strong in proportionate terms at 3.1% per annum between 2011 and 2016. This compares to population growth over the same period of just 1.3% (Chart 2.10).

Population Growth Vs. Job Growth

LGA's Surrounding Central Melbourne, Annual Percentage Change, 2011-2016

Chart 2.10



Source: ABS; Urbis

51. While the provision of local jobs in Hobsons Bay remains weighted towards its industrial past, the absolute growth in jobs in the key white collar occupations of Managers and Professionals were the most significant of all occupation groups between 2011 and 2016 (Chart 2.11).

Provision of Jobs by Occupation 2011 vs. 2016

Total Jobs within Hobsons Bay LGA by Occupation, Year Ending June

Chart 2.11



1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.

Source: ABS; Urbis

2.4. SECTION SUMMARY

52. The analysis in this section leads me to conclude there isn't a shortage of jobs locally nor therefore a compelling need to grow employment opportunities over and above the natural increase in population, including in office-based occupations. There will always be people who will leave the municipality for work simply due to the ease of access to the largest concentration of jobs in the metropolitan area in the neighbouring City of Melbourne.
53. The proportion of the resident working population employed in office-based occupations is similar in the City of Hobsons Bay compared to other inner-metropolitan municipalities. Hobsons Bay generally has a higher or comparable level of job containment to other inner-metropolitan municipalities.
54. It is recognised that as the share of resident workers in Office-based jobs increases, there will be a need for the municipality to provide some office space to accommodate this growth. The extent of what this growth should be will be discussed shortly in subsequent sections. As such, I will consider the need for commercial office floorspace in Hobsons Bay under two scenarios – one where the level of job containment for Office-based occupations remains constant, and another conservative approach where it increases.

3. COMMERCIAL OFFICE SUPPLY

55. This section further looks at the existing and future provision of commercial office space in the City of Hobsons Bay, as well as the surrounding region.

3.1. WESTERN MELBOURNE COMMERCIAL OFFICE LOCATIONS

56. As established in the previous section, as with all inner-metropolitan municipalities, residents of the City of Hobsons Bay will often leave the municipality for work, particularly in office-based occupations. This simply reflects the major employment opportunities which are easily accessible just outside the municipality.
57. I have therefore summarised here the key locations for office development accessible from Hobsons Bay within the central and western parts of metropolitan Melbourne. It is important to consider this more regional rather than local perspective in assessing the need for commercial office space in the City of Hobsons Bay.
58. As shown in Map 3.1, Plan Melbourne 2017-2050 identifies a number of key locations to be the focus for future growth and investment within reach of residents of the City of Hobsons Bay, all of which will have major office components.
59. Outside of the Melbourne CBD, National Employment and Innovation Clusters (NEICs) are identified as the focus for growth in knowledge sector jobs:

“Melbourne needs to create jobs close to where people live.

Seven national employment and innovation clusters have been identified across metropolitan Melbourne. Each is anchored by a specialised activity (such as a university, research facility, medical facility or manufacturing enterprise) that has seeded its growth. These clusters are Monash, Parkville, Fishermans Bend, Dandenong, La Trobe, Sunshine and Werribee.

The national employment and innovation clusters are focused on knowledge based businesses that locate close to each other for knowledge and resource sharing. The clusters are distributed throughout Melbourne and along high-capacity transport networks to provide greater access to high-productivity jobs.”

Source: Plan Melbourne Policy 1.13, pg.25

60. Sunshine, Werribee, Parkville and Fishermans Bend are all generally within 20 minutes and accessible for residents of the City of Hobsons Bay. The future growth in Fishermans Bend is highly relevant in this regard, with an anticipated 80,000 jobs to be provided just over the West Gate Bridge from Hobsons Bay. Many of these jobs will be in office-based employment.
61. Further commercial office opportunities, either existing or in future, will be provided in the two Metropolitan Activity Centres nominated for the western region - Sunshine and Footscray:
- “Metropolitan activity centres are critical to growth across a regional catchment—giving communities good access to a range of major retail, community, government, entertainment, cultural and transport services.”*

Source: Plan Melbourne Policy 1.2.1, pg. 36

62. These major employment clusters and centres are either of national or regional significance, providing employment opportunities for residents coming from a much broader region. These employment clusters are where most current commercial office developments are taking place, with the ability to further accommodate more office space going forward.
63. The City of Hobsons Bay is seeking to increase the retention of local workers through setting aside land for office development. However, with anticipated growth and investment of such significant scale expected to ring the municipality, particularly with Fishermans Bend and the expanding CBD so close, it is unlikely that job containment in office-based employment will increase much from current levels.
64. It is within this competitive environment that the Altona North commercial offer must compete, not just with other potential office locations in the municipality. As discussed in the following section,

Altona North does not compare favourably to these regional locations. This will ultimately curtail the level of office space that is demanded or needed, and restrict the type of tenants seeking to locate in Altona North to local services where demand is driven by population growth.

Activity Centres and Employment Clusters in Central and Western Melbourne

Map 3.1



3.2. OFFICE SUPPLY WITHIN HOBSONS BAY

3.2.1. Current Supply

65. Figure 3 overleaf illustrates the commercial office precincts within the City of Hobsons Bay as defined in the Hobsons Bay Activity Centres Strategy Technical Report prepared by Essential Economics in December 2016. I have adopted this definition here and reviewed the characteristics and the provision of office space across these precincts.
- **North Precinct** – generally bounded by the West Gate Freeway in the north, Kororoit Creek in the west, the railway line in the south and the Spotswood residential areas in the east. According to the Strategy, *‘the eastern part of the precinct with its well-established residential areas is beginning to gentrify’*, perhaps due primarily to the areas being much better serviced by the Werribee and Williamstown Lines at Spotswood and Newport stations. This precinct is also home to a well-established network of activity centres, including the Altona Gate Shopping Centre, the largest existing retail offer in the municipality. Altona North is also located within the North Precinct.
 - **South East Precinct** – generally includes areas south of the Newport railyards around Williamstown. These areas comprise the higher socio-economic pockets within the municipality. This precinct is characterised by the retail and commercial strip along Ferguson Street and is well serviced by the Williamstown Line (Williamstown North, Williamstown and Williamstown Beach stations). Commercial office within the precinct is supported predominantly by local businesses.
 - **Central Precinct** – includes the urban area of Seaholme, Altona and Westona. The precinct has the largest concentration of industrial plants and warehouses in Hobsons Bay and is a key source of industry-based employment. Commercial office in the Central Precinct is generally composed of shopfront style office located around Altona Station along Pier Street, and again supported by local businesses.
 - **West Precinct** – the balance of the municipality west of Kororoit Creek. The West Precinct abuts the City of Wyndham and is generally a residential area with limited provision of commercial office space.
66. The provision of commercial office floorspace within each of these precincts is shown in Table 3.1 below. Note that while I have referred to the municipality’s Activity Centres Strategy prepared by Essential Economics in December 2016, major commercial office development completed between 2014 and now have also been accounted for, including stage 3 of the Millers Junction Business Park on the former Cabots site.

Estimated Existing Commercial Office Space

Hobsons Bay LGA, 2014 vs. 2017

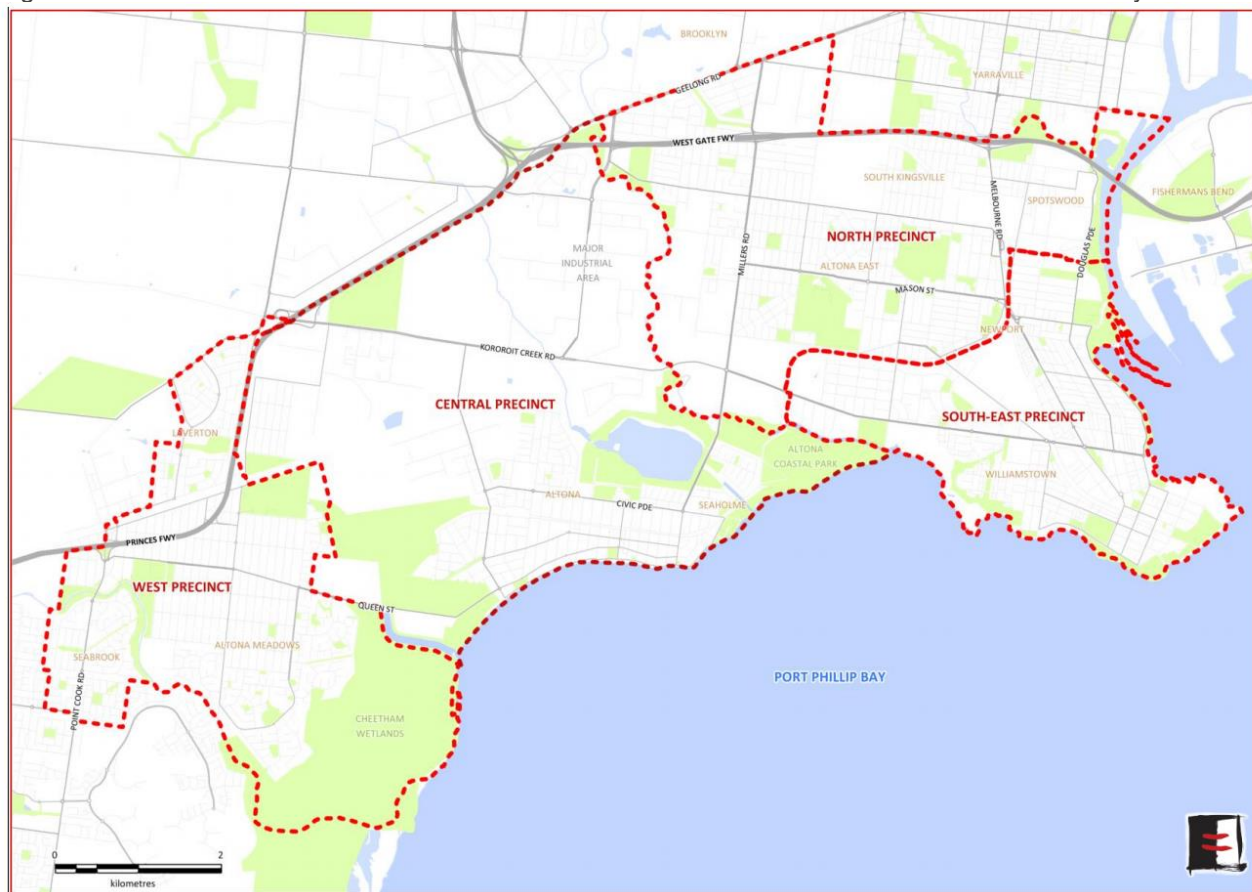
Table 3.1

Precinct	Essential Economics Estimate (2014)		Urbis Estimate (2017)	
	Floorspace (sq.m)	Share %	Floorspace (sq.m)	Share %
North Precinct	8,410	30%	14,710	41%
South-East Precinct	10,420	37%	11,620	33%
Central Precinct	6,020	22%	6,020	17%
West Precinct	3,110	11%	3,110	9%
Total Hobsons Bay	27,960	100%	35,460	100%

Source: Hobsons Bay Activity Centres Strategy: Technical Report, Essential Economics, December 2016; CordellConnect; Urbis

67. This highlights that if the 33,000 sq.m of commercial office space were to be delivered at Altona North, it would represent almost a doubling of the office space provision for the whole of the City of Hobsons Bay. This would appear to an unrealistic outcome, especially considering the other known proposed office space developments and the ability to increase office supply within other activity centres as described below.

Figure 3 – Essential Economics Definition of Commercial Office Market Precincts in Hobsons Bay



3.2.2. Proposed Supply

68. In assessing the existing and future provision of commercial office space within Hobsons Bay, I have also referred to data from Cordell Connect (an online database of all property development proposals and planning permits) to look at proposed commercial office development within the municipality in the short to medium term. This information is presented in Tables 3.2.

Recent & Future Commercial Office Developments

Hobsons Bay LGA

Table 3.2

Development	Address	Suburb	Est. Office Floorspace (sq.m)	Status	Est. Year of Completion
Sargood Street Mixed Use	16-18 & 20 Sargood St	Altona	500	Development Approval	2018
Pier Street Mixed Use	22 Pier St	Altona	100	Development Approval	2018
Euca Commercial	83 Stevedore St	Williamstown	900	Preparation	2019
Ferguson Street Mixed Use	46 Ferguson St	Williamstown	100	Development Approval	2019
Ferguson Street Mixed Use	95 Ferguson St	Williamstown	160	Development Application	2019
Total Proposed Supply			1,760		

Source: CordellConnect; Urbis

69. Generally, there is a limited number of dedicated commercial office developments within Hobsons Bay, highlighting the lack of market demand currently and in the short to medium terms. The commercial office development within the municipality that is proposed is small in scale and in most cases, forms the ancillary part of a broader mixed use development which also includes other uses.
70. Rather than supporting dedicated office precincts, office development has historically been ancillary to industrial activity, or occupying shopfront locations within activity centres. This trend appears likely to continue.

71. Even when new development areas have been positioned as suitable office park locations in Hobsons Bay, the resultant outcome is a mix of office, retail and industrial uses. The recently developed Stage 3 of the Folkestone Mixed Use Precinct (i.e. Millers Junction Business Park on the former Cabots site) provides a good illustration of such commercial development, where local services such as lawyers and financial consultants are joined by auto repair technicians, garden equipment sales and warehouse managers. It should be noted that there are still vacant tenancies within Millers Junction, while future stages have not commenced construction.
72. The co-location of traditional office tenants and non-commercial users within the one commercial development highlights the fact that there is a lack of a critical mass of sufficiently large office users within Hobsons Bay to support any major dedicated office development. In fact, this is also recognised in the Hobsons Bay Activity Centres Strategy Technical Report:

In terms of office accommodation, businesses that service the needs of local residents tend to be the major occupiers of commercial floorspace in centres in the municipality. The non-retail role of Hobsons Bay is limited, with few examples of regional-serving office activities (which generally rely on access to an extensive regional base of professional workers serving regional needs).

Source: Hobsons Bay Activity Centres Strategy Technical Report, Essential Economics, December 2016, pg. 89)

73. In this context, the lack of activity in the Hobsons Bay office market highlights the challenge of trying to deliver 33,000 sq.m of space supported only by a relatively small local town centre.

3.3. PROVISION OF EMPLOYMENT LAND

74. The need for future office development needs within the City of Hobsons Bay must also consider the extent of land available that is appropriately zoned to accommodate office development. As detailed in Table 3.3 and shown in Map 3.2, there is some 89 hectares of land zoned where office use is 'as of right'. A further 1,536 hectares is in a zone that allows some office development subject to a permit.
75. While much of this land is currently occupied, there are many opportunities to increase the density of development through these zones with office development where appropriate. Most areas are underdeveloped with typically only single level development.
76. Many major shopping centre owners are considering the potential office development on their properties to increase the diversity of mix and support their retail assets. In this regard, Altona Gate for example is a well-located site capable of accommodating a sizeable office provision in time. The other major activity centres in the City such as Williamstown and Altona could also expand their commercial offering in locations that offer tenants high levels of amenity.
77. The key Commercial 2-zoned land within Hobsons Bay is concentrated in Millers Junction Business Park. This more recent development still has a number of units from a recent stage available for lease, while future stages will provide opportunities for an increased office presence in the Business Park.
78. All in all, there are numerous existing locations capable of meeting the demand for office development that already exist and may emerge over the next 10 to 20 years.

Land Uses Allowing Commercial Office Development

Hobsons Bay LGA, as at October 2017

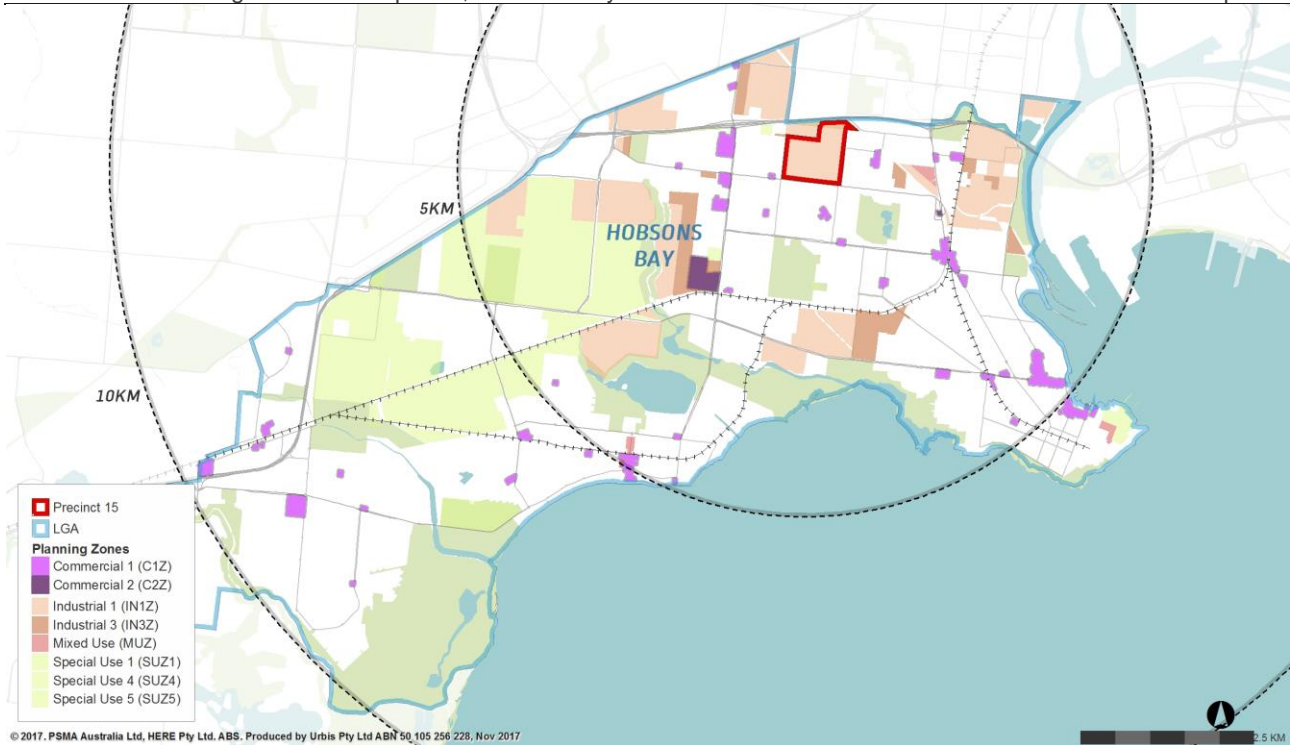
Table 3.3

Land Use	Permit Requirement	Condition	Area (ha)
ACZ1	No	N/A	-
C1Z	No	N/A	62.1
C2Z	No	N/A	14.5
MUZ	No	Leasable area less than 250 sq.m	12.1
Subtotal - No Permit Required			88.8
IN1Z	Yes	N/A	558.1
IN3Z	Yes	N/A	110.8
SUZ1	Yes	Floor area less than 500 sq.m	47.4
SUZ4	Yes	Floor area less than 500 sq.m	803.5
SUZ5	Yes	Floor area less than 500 sq.m	16.1
Subtotal - Permit Required			1,536.0
Total			1,624.7

Source: VicPlan, DELWP; Urbis

Zoned Land Allowing Office Development, Hobsons Bay LGA

Map 3.2



4. COMMERCIAL OFFICE DEMAND ANALYSIS

79. In this section, I present my initial forecast on the additional demand for commercial office space in Hobsons Bay between 2016 and 2036. Detailed calculation steps are shown in Table 4.1 and explained in more detail below.

Commercial Office Demand Forecast

Hobsons Bay LGA, 2016-2036

Table 4.1

Office-based Resident Workers	Calculation	Historical		Urbis Forecast	
		2011	2016	2026	2036
Working Age Pop. (15 Years+)	(1)	71,200	75,800	83,300	91,000
% Working Age Pop. (15 Years+)	(2)	55.1%	55.4%	55.8%	56.2%
Resident Workers	(3) = (1) x (2)	39,200	42,000	46,500	51,100
% of Resident Workers in Office-based Jobs	(4)	53.3%	54.6%	59.6%	64.6%
Office-based Resident Workers	(5) = (3) x (4)	20,900	22,900	27,700	33,000
% of Office-based Resident Workers Working Locally					
Scenario 1	(6)	20.3%	20.3%	20.3%	20.3%
Scenario 2 ¹	(7)	20.3%	21.0%	23.0%	25.0%
Office-based Resident Workers Working Locally					
Scenario 1	(8) = (5) x (6)	4,300	4,700	5,600	6,700
Scenario 2	(9) = (5) x (7)	4,300	4,800	6,400	8,300
% Increase in Office-based Resident Workers Working Locally					2016-2036
Scenario 1	(10) = [2036] / [2016] - 1, row 8				43%
Scenario 2	(11) = [2036] / [2016] - 1, row 9				73%

Demand for Commercial Office		Current Office Provision (sq.m)	Increase in Office-based Resident Workers Working Locally (%)	2036 Office Provision (sq.m)	Demand for Office (sq.m)
Scenario 1	(12)	35,460	43%	50,500	+15,040
Scenario 2	(13)	35,460	73%	61,300	+25,840

1. 2016 containment of Upper White Collar resident workers is based on Urbis assumption, as relevant data is not yet available.

Source: ABS; forecast.id; Urbis

80. The steps involved in this office floorspace demand methodology are as follows:

- Row 1 - Growth in the working age population is derived from forecast.id estimates for the City of Hobsons Bay to 2036.
- Row 2 – The proportion of the population aged over 15 is estimated with reference to the increasing trend between 2011 and 2016.
- Row 3 – The number of resident workers is calculated by multiplying the working age population by the proportion of that population who work.
- Row 4 – The proportion of resident workers in office-based employment is estimated to increase over the forecast period, growing to 65% (from 55% currently).
- Row 5 – Multiplying the number of resident workers by the proportion in office-based jobs gives the total number of office-based resident workers.
- Rows 6 and 7 – I have then estimated the proportion of office-based resident workers who work in the City of Hobsons Bay based on two alternative scenarios (the job containment proportion). The first assumes the proportion remains constant at the 20.3% that it was in

2011 (2016 data not released at the time of writing). The second allows for a significant increase in this proportion (i.e. allowing for more people to live and work locally). At 25% by 2036, this is by some margin higher than the proportion of people who live and work in office-based jobs in other inner municipalities.

- Rows 8 and 9 – The number of office-based resident workers working locally is estimated by multiplying the total number of office-based resident workers by the respective local working proportion from row 6 or 7.
- Rows 10 and 11 – The percentage change in the total number of office-based resident workers working locally between 2016 and 2036 is calculated.
- Rows 12 and 13 – The percentage change is applied to the current office floorspace provision of just over 35,000 sq.m to give the total office floorspace requirement for 2036. *Note: By applying the percentage change in office-based resident workers working locally to the existing floorspace, I am in effect assuming that the proportion of workers from outside the municipality working in office space in Hobsons Bay will remain constant. This is a conservative assumption given an increase in job containment for residents could correspond with a decline in the proportion of workers in Hobsons Bay from outside the municipality.*

81. The estimated increase in the office floorspace requirement between 2016 and 2036 is between 15,000 sq.m and 26,000 sq.m. The higher figure is the result of an assumed increase in the retention of local office workers. The assumption of a greater proportion of local office-based workers working locally is arguably unlikely given the increasing opportunities for office workers just outside the municipality, for example in Fishermans Bend, which will slow prospects for office development in Hobsons Bay.
82. These results are generally in line with the Essential Economics forecast (between 8,760 sq.m and 27,820 sq.m) presented in their December 2016 report (*Pg 102, Table 22, Hobsons Bay Activity Centres Strategy, Essential Economics, December 2016*).
83. I noticed that these results differ from the Essential Economics forecast presented in their Altona North Precinct Commercial Office Floorspace Provision report prepared for the VPA in September 2017, where additional supportable office floorspace in the City of Hobsons Bay between 2016 and 2031 was estimated at around 104,800 sq.m (Table 2.2 on page 9). The contradicting results presented in these two documents highlight a flaw in the Essential Economics September forecast methodology:
 - Forecast results presented in the September 2017 report were calculated based on Essential Economics estimate of the growth of white collar workers in the municipality, which includes all white collar workers that are accommodated in not only dedicated office space but also on other land uses (e.g. office workers working at say an industrial firm but are engaged in white collar occupations such as financial professionals or administration officers). By applying an office floorspace requirement of 20 sq.m per white collar worker the results overestimated significantly the underlying floorspace demand for dedicated office space.
 - In addition, the proposed 33,000 sq.m of office floorspace would represent almost a third of this total demand for office anywhere created by Hobsons Bay residents.
 - In comparison, my forecast shown in Table 4.1 also considers the likely measure in white collar workers. I have applied the growth in this number to the estimated existing dedicated office floorspace in the municipality to consider likely future demand. This appropriately allows for white collar workers who might not require dedicated office space, as well as the fact that Hobsons Bay office space accommodates whoever coming from outside the municipality.
84. Even under the high scenario (scenario 2), only some 26,000 sq.m of additional office space is likely to be needed to accommodate future growth of office-based workers in the municipality. This is below the proposed 33,000 sq.m of commercial office space for Precinct 15, and is far more likely to be allocated to various office locations across many more developments in Hobsons Bay rather than being concentrated in one location.

5. ASSESSMENT OF COMMERCIAL OFFICE POTENTIAL

85. Previous sections have established the following:

- While some residents of the City of Hobsons Bay will leave the municipality to access office-based employment, this is to be expected given the proximity to employment opportunities within the City of Melbourne and other nearby activity centres and clusters.
- There is only a modest provision of office floorspace in the City of Hobsons Bay currently. Most of what office space does exist and is in the pipeline for delivery is ancillary to other uses such as in industrial precincts or local office space in shopfronts. There is not a market for major office development in the municipality now or in the short to medium term.
- There is a large amount of appropriately zoned land across the City that would allow office development either 'as of right' or with a permit. Increased intensification of existing zoned land could accommodate any future need for office space.
- There will be some demand for increased office development over time to service a growing population and white-collar workforce. However, over the next 20 years or so, across the whole municipality, the need for office space is anticipated to be in the order of 15,000 – 26,000 sq.m, a significant increase in current office supply.

86. Within this context, I consider in this section the attributes of the town centre and commercial/mixed use land designated in Altona North, what level of commercial office space could be supported around the town centre, and where that space could be accommodated.

5.1.1. Attributes of the Site for Office Development

87. The decisions around where to provide office space made by developers are heavily influenced by meeting the needs of future tenants. Consequently, there are a set of key attributes that any potential commercial office site must meet for it to be considered for development of any sizeable office component.
88. The following table details what in my experience are the key considerations of tenants, and therefore developers, in determining the appropriateness of a site for office development. I have then made comment as to how the proposed commercial precinct on Blackshaws Road would rate against these criteria.
89. As can be seen by this assessment, the subject land is not considered an attractive location for office tenants, now or in time. The location lacks easy access, particularly by public transport; it is not well-exposed; would only be anchored by a medium-sized local town centre; and would generally be seen as a secondary location at best relative to other potential locations for office development in the municipality such as the major activity centres or business precincts.

Assessment of the Merits of the Subject Land for Commercial Office Development

Criteria	Description	Assessment	Rating
Economic/Employment Growth Outlook	Economic and employment growth will generate sustained demand for office space.	<ul style="list-style-type: none"> The Melbourne economy in general remain relatively robust and is likely to further expand, driven primarily by rapid population growth. The Hobsons Bay economy is expected to grow in line with the rest of Melbourne. 	Good
Population Growth	A sizeable residential catchment can be a driver of demand for office accommodation.	<ul style="list-style-type: none"> Hobsons Bay experienced relatively moderate population growth between 2011 and 2016 at 1.3% per annum on average. Compared to other growth area LGAs such as Wyndham, Hobsons Bay has not been driven by greenfield residential development, due to the constraint in developable land. Future population growth is likely to remain at a moderate level. 	Moderate
Office Worker Market	The size and nature of the local business base is one of the main drivers of success for office accommodation, particularly the access to a white-collar workforce.	<ul style="list-style-type: none"> The proportion of white-collar workers is slightly below average for an inner Melbourne LGA. Population growth and a changing demographic will bring more white collar workers to the region going forward. 	Moderate
Demand & Supply Status	The scale and quality of existing supply is an important factor in determining the appropriate scale and nature of office development, as is the level of activity in the relevant market.	<ul style="list-style-type: none"> Altona North and the broader Hobsons Bay have traditionally focused on industry and are not part of a sought-after office market. Local demand for office remains for smaller scale offers, generated 	Highly Challenging

Criteria	Description	Assessment	Rating
		<p>primarily from local businesses. Demand for dedicated commercial office to accommodate large scale white collar employment is highly limited.</p> <ul style="list-style-type: none"> Other office markets nearby including the Melbourne CBD, the planned Fishermans Bend employment precinct just across the West Gate Bridge, Footscray Metropolitan Activity Centre and the Sunshine National Employment Cluster to the north all provide superior commercial office options in large quantity and will be a focus for development going forward. 	
Synergies with Other Businesses	The clustering of businesses creates benefits relating to efficiencies of interaction between suppliers, service providers and generally like businesses.	<ul style="list-style-type: none"> Due to the lack of demand, it is unlikely a sufficient critical mass of office space can be provided in this location for potential tenants to enjoy the benefits of synergies with other businesses. The commercial space will only be supported by a medium-sized retail offer and some underutilised retail and commercial space at 216 Blackshaws Road, with the remaining surrounding land being residential only. 	Challenging
Accessibility by Road	The ability to access an office easily from across a broad area.	<ul style="list-style-type: none"> While the proposed precinct can be easily accessed from Blackshaws Road, this is a secondary arterial with only one lane in each direction. The site therefore does not compare favourably to other sites 	Moderate

Criteria	Description	Assessment	Rating
		<p>with access to more significant roads such as Melbourne Road and Millers Road.</p> <ul style="list-style-type: none"> Access to the general vicinity is reasonable given access to the West Gate Freeway, although other alternative locations nearby also enjoy the same if not better access. 	
Public Transport	Convenient transport access for workers is a key factor in occupier location decisions, with access to a train station a key consideration.	<ul style="list-style-type: none"> The Precinct is removed from major public transport services. The closest train station (Newport) is around 3.3 km, an unpleasant distance on foot. While bus services run along Blackshaws Road, it does not provide the level of convenience and frequency of train which is almost a pre-requisite for a major employment precinct development. The bus current runs once every 20-25 minutes even in peak hour 	Highly Challenging
Access to Services / Amenity	Access to services and amenity is important in providing an attractive workplace.	<ul style="list-style-type: none"> The proposed medium-sized local town centre to the east of the commercial land just next to the subject sites is likely to provide only a modest level of amenity compared to major activity centre locations such as Altona Gate, Altona or Williamstown. 	Moderate
Overall Rating			Challenging

5.1.2. What level of Commercial Floorspace is Appropriate?

90. An allowance for 33,000 sq.m of commercial floorspace in the Altona North activity centre is excessive.
91. The Altona North commercial allowance in the CDP is roughly double the current level of commercial space provided across the whole of the City of Hobsons Bay. It would, on my estimation (supported by the Activity Centres Strategy Technical Report prepared less than a year ago), represent the majority of, if not more than, the required office provision to 2036 for the entire municipality.
92. The location and attributes of the site are not favourable relative to other potential locations within the City. Consequently, the precinct will only ever serve a role for local service businesses (e.g. accountant, financial services, real estate agents etc.) that would typically be found in shopfront locations in other local activity centres.
93. There is a limit to how much of this type of space can be provided. The analysis of the activity centres across the municipality conducted by Essential Economics in the Activity Centre Technical report shows that the scale of office space in each activity centre is relative to the scale of the retail offer. The largest provision of commercial office floorspace is around 8,000 sq.m (i.e. Williamstown).

Provision of Retail & Commercial Floorspace in Activity Centres

Hobsons Bay LGA, 2014

Table 5.1

Activity Centre	Floorspace (sq.m)				Total
	Retail	Office	Other Non-retail	Vacant	
Major Activity Centres (MAC)					
Altona Gate	25,930	1,270	2,230	-	29,430
Altona Beach	11,360	3,740	4,240	690	20,030
Williamstown	23,770	8,070	2,570	940	35,350
Total MAC	61,060	13,080	9,040	1,630	84,810
Neighbourhood Activity Centre (NAC) - Large					
Altona Meadows	13,630	2,090	890	-	16,610
Newport	7,760	3,800	3,200	600	15,360
Total NAC - Large	21,390	5,890	4,090	600	31,970
Neighbourhood Activity Centres (NAC) - Medium					
Aviation Road	4,740	770	2,280	-	7,790
Borrack Square	3,860	850	1,780	-	6,490
Rifle Range	2,670	-	-	-	2,670
Total NAC - Medium	11,270	1,620	4,060	-	16,950
Neighbourhood Activity Centres (NAC) - Small					
Harrington Square	2,470	520	130	100	3,220
Spotswood	1,980	1,010	560	100	3,650
The Circle	2,950	100	140	-	3,190
Total NAC - Small	7,400	1,630	830	200	10,060
All Other Centres	34,430	5,740	2,770	1,340	44,280
Total - All Centres	135,550	27,960	20,790	3,770	188,070

Source: Hobsons Bay Activity Centres Strategy Technical Report, Essential Economics, December 2016; Urbis

94. In my opinion, an appropriate allowance for commercial/office provision within the local activity centre to be created at Altona North is at most 10,000 sq.m over the long-term, most likely closer to 5,000 sq.m. This is not based on a short-term market view, but rather the expectation that even under a scenario where the City of Hobsons Bay increases its provision of work opportunities for residents in office-based occupations, the total demand for office space in the municipality will be in the order of 15,000-26,000 sq.m to 2036. I note again my estimated range is similar to the range made in the Activity Centres Strategy Technical report of around 8,000 sq.m up to 27,000 sq.m over the same timeframe.
95. The commercial office provision in Altona North will only provide for local businesses. In the context of the range of other centres and precincts that are appropriately zoned for office development and are more attractive locations for such development (major activity and business centres with greater exposure, access and amenity), it is appropriate that only a modest share of the future need is accommodated in Altona North. Even at 5,000 sq.m, this would represent a considerable 19%-33% of the expected office floorspace need to 2036.
96. I also note that the anticipated employment creation from the Altona North precinct, as detailed in Table 3 on page 25 of the CDP, indicates the total employment yield could be 714 jobs from the currently proposed commercial/mixed use land allocation. However, if I apply an estimated 20 sq.m per job requirement (as adopted by Essential Economics in their September 2017 report), these jobs could be accommodated in just 14,280 sq.m of floorspace. This assumes that the Precinct can deliver this many jobs. I don't believe it can.

5.1.3. Where Should the Commercial Floorspace be Located?

97. Having established the need for a much lower commercial floorspace provision in Altona North of at most 10,000 sq.m, but more likely in the order of 5,000 sq.m, I have turned my mind to where across the four properties should that space be allocated.
98. Firstly, it is important to establish that in my opinion and experience, to maximise the level of activity and success of an activity centre, both retail and commercial uses should be concentrated as closely as possible around a designated retail hub.
99. In this case, the ideal scenario is for retail and commercial uses to be concentrated around the town centre site (Property 11) as much as possible. Once capacity on that site is maximised, only then should the commercial office space spread to adjoining sites. Logically, any necessary expansion of commercial uses would be to Property 10 immediately to the west where there are already some retail and commercial uses (albeit in an underdeveloped site), with adjoining service industry to remain to the immediate north as a transitional arrangement.
100. The CDP indicates a potential commercial yield of 1,300 sq.m within the local town centre. I have not assessed in detail whether this provision could be any higher given the potential for multi-storey development on the local town centre site, although with around 5,500 sq.m of ground floor retail space proposed, across ground and 1st floor area, the yield could potentially be greater.
101. Accepting for now that the local town centre only accommodates 1,300 sq.m, on my likely scenario of demand for commercial space of 5,000 sq.m, that would leave 3,700 sq.m to be accommodated on the adjacent Property 10 which in my opinion is to be preferred. I noted in section 1 that the estimated total yield in the CDP is 5,400 sq.m. Therefore, the anticipated commercial requirement could entirely be contained within Properties 10 and 11.
102. I have also previously indicated that Property 10 would be under-developed at 5,400 sq.m. In time, this site would be expected to be redeveloped to maximise the opportunity, not only with a second floor level, but more likely an expanded footprint given carparking occupies such a large part of the site currently. The development of a local town centre next door would encourage this, not only due to the greater activity and value created, but also as some of the retail uses on Property 10 could relocate onto the dedicated retail site. If this were to occur, as I expect, the total commercial yield from Property 10 could be in excess of 10,000 sq.m. This would be more than sufficient to accommodate even the upper bound commercial floorspace need estimate.
103. In my opinion, there is no need to set aside land on Properties 8 and 9 for commercial/mixed use. All future commercial need can be accommodated on, or immediately adjacent to, the local town centre site. These properties further to the west are removed from where the activity will be concentrated at the town centre, making them inferior sites for commercial development.

104. There is also presently a physical barrier between Property 9 and an anticipated town centre/commercial hub, with the existing retail and commercial development on Property 10 presenting a blank wall to the interface along the full length of the adjoining boundary. This would further discourage viable commercial development extending to the west. Property 8 is further removed again, with the current CDP indicating a major boulevard would separate the any commercial development on this land from land to the east.

6. CONCLUSION

105. The allocation of a total of 33,000 sq.m of commercial floorspace in Altona North Precinct 15 is grossly excessive, with the need only likely to be a small fraction of that.
106. I recognise the need to plan for future job opportunities by setting aside land for future employment purposes, however, in this case the commercial need is more than satisfied by allowances on the local town centre site and the existing adjacent mixed use site (Property 10).
107. Maintaining a commercial/mixed use designation on Properties 8 and 9 will only serve to sterilise the land from development. Demand will not exist in the foreseeable future, and therefore the sites will remain vacant. They should otherwise be developed for their highest and best use of residential. Vacant land does not create the employment opportunities that the precinct is intended to create. These properties should not be set aside for commercial/mixed use.

APPENDIX A CURRICULUM VITAE



RHYS QUICK

DIRECTOR

“I find it exciting being involved from the early stages in significant property projects, watching as they develop and are finally delivered, ultimately changing the way people live, work and play.”

SERVICES

Economics
Research

SECTORS

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Retail
Tourism and Leisure

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Rhys Quick is an economic property consultant specialising in economic supply and demand analyses in the retail, entertainment and leisure, and mixed use sectors.

He has consulted for many of the major property groups in Australia and New Zealand, including shopping centre owners, retailers, entertainment providers and property developers in all sectors. He also has experience working with various government authorities in delivering significant infrastructure projects and community outcomes. He is expert at undertaking market demand studies, forecasting inputs to development feasibility, and assessing the economic impact of new developments.

Since he joined Urbis in 1999, Rhys has been a key consultant on the development of the Chadstone Shopping Centre; this work is a long-term highlight of his career. Other achievements include advising on the 10-year, \$11 billion Melbourne Metro Rail Project and delivering the industry standard Urbis Shopping Centre Benchmarks on an annual basis. Rhys also regularly acts as economic expert witness before Victorian planning tribunals and panels, and the Victorian Commission for Gambling and Liquor Regulation.

PROJECTS

Chadstone Shopping Centre
Development Potential
Melbourne Metro Rail Project
Business Case Development
Monash Employment Cluster
Land Study
Melbourne Level Crossing
Removal Value Capture
Opportunities
Old Royal Adelaide Hospital
Mixed Use Redevelopment



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