

Bayside Retail, Commercial and Employment Strategy

Background Issues and Opportunities Paper

(DRAFT)

Bayside City Council

November 2015



Independent insight.



In conjunction with:

M3 Property

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Draft for consultation

1 INTRODUCTION

Bayside City Council (Bayside) presents a unique set of opportunities for business and employment growth.

Bayside is positioned within a metropolitan economy which has been in the midst of a significant restructure. The retail sector is evolving in response to financial and technological change, traditional employment lands face an uncertain future and the service sectors are increasingly important to employment outcomes.

1.1 Project context

The Bayside Retail, Commercial and Employment (RCE) Strategy will ultimately provide a vision for the future of Bayside's employment lands. It will help guide future investment, development, programs and re-zoning applications.

This **Background, Issues and Opportunities Paper** focuses on research, analysis and canvassing of issues which will be taken to the community for consultation. This research base delves into the various issues affecting the spatial economic structure of the municipality so that a clear and informed future direction can be formed by key stakeholders and community engagement. The outputs of this community engagement process will then inform the development of a **Strategy** (See Figure 1).

FIGURE 1 PROJECT PROCESS



1.2 Report structure and scope

With this broader work program in mind this particular report is a data analysis and background paper which provides an **analytical evidence base** to later stages of work. It will seek to detail key trends, issues, opportunities and trade-offs relevant to the employment future of Bayside.

The background paper will not provide specific directions or recommendations. Detailed precinct level zoning controls and policy will be the focus of later stages in the project.

The remainder of this report is organised as follows;

- **Section 2 – Economic context** introduces some relevant economic trends effecting the broader metropolitan economy which will (and have) played a significant role in the growth and spatial distribution of employment and economic activity across the Bayside City Council.
- **Section 3 – A brief history of Bayside** documents where Bayside's economy came from, showing the evolving employment structure and network of centres across the municipality.

- **Section 4 – Policy context** provides a summary of the recent relevant state and local policies impacting on the employment precincts and centres across the municipality.
- **Section 5 – Demographic trends** discusses population growth, workforce and consumer demand related issues.
- **Section 6 – Profiling Bayside** draw on broad economic and employment projections; this section seeks to understand the potential scale and type of growth anticipated in Bayside over the next 15 years. It highlights the spatial implications of this future growth along with the possible opportunities and conflicts.
- **Section 7 – Bayside Business Employment Area** profiles recent trends in the BBEA, and focuses on the future options for guiding development and land use in the precinct.
- **Section 8 – Activity Centres** defines the current structure and role of each Activity Centre drawing from Council's land audit data, site visits and various other datasets.
- **Section 9 – Key issues and opportunities** provides a consolidated summary of the key issues and opportunities facing Bayside's retail and employment precincts which will need to be challenged through the community engagement process and then ultimately inform the strategy.

2 ECONOMIC CONTEXT

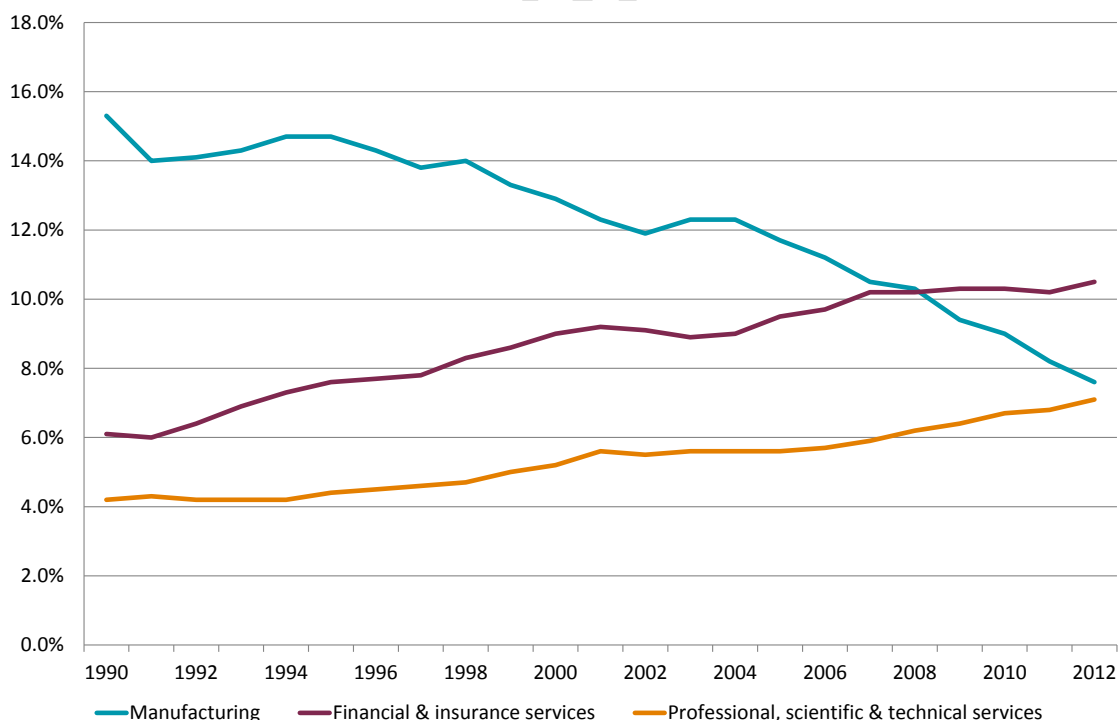
This section introduces some relevant economic trends affecting the broader metropolitan economy which will (and have) played a significant role in the growth and spatial distribution of economic activity across the Bayside City Council. .

2.1 Structural changes in Australia and Melbourne's economy

During the early 1980s, the economic structure of Australia was fairly homogeneous. Manufacturing was the primary income generator across most parts of the country. Of course, certain areas possessed specialisations in particular industries, for example, tourism, agriculture and mining in regional areas. Earlier versions of advanced business services also existed in the central core of cities since early in the 20th century.

The economic evolution of the past 30 years has resulted in a far more complex picture. The rise of knowledge intensive services, the resource boom and a high Australian dollar, has created a patchwork economy. Figure 2 below highlights the restructuring of the Australian economy for three key industries over the last two decades – with services becoming an increasingly important component of domestic product and national wealth.

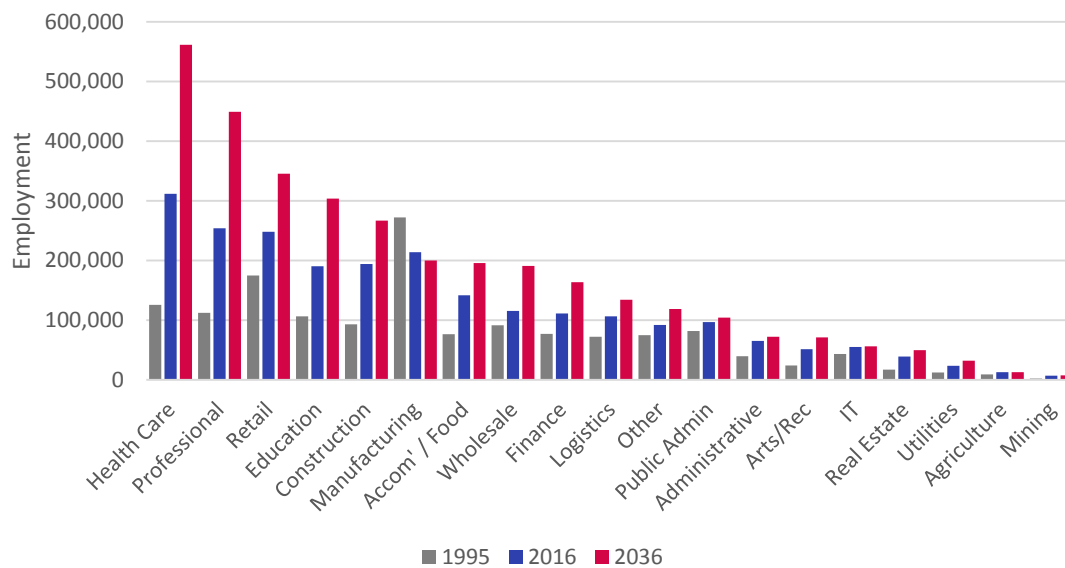
FIGURE 2 SHARE OF GDP FOR SELECTED INDUSTRIES, AUSTRALIA



Source: Australian Bureau of Statistics – National Accounts

This economic structural change has – and will continue to – impact on the composition of employment opportunities across Metropolitan Melbourne. Figure 3 presents historical and future employment by industry for Metropolitan Melbourne. This highlights the profound structural changes that will be occurring across the whole economy over the next two decades.

FIGURE 3 EMPLOYMENT BY INDUSTRY, GREATER MELBOURNE, 1995, 2016, 2036



Source: SGS Economics and Planning and ABS

Whilst governments (local, state and federal) possess limited influence and clout over some of these economic trends, policy making still has a significant role in determining how the economy will ultimately impact on our communities. In terms of Activity Centre and Employment lands, local governments have a responsibility to ensure that local residents have access to suitable employment and services. The key trends of particular relevance to the Bayside City Council include:

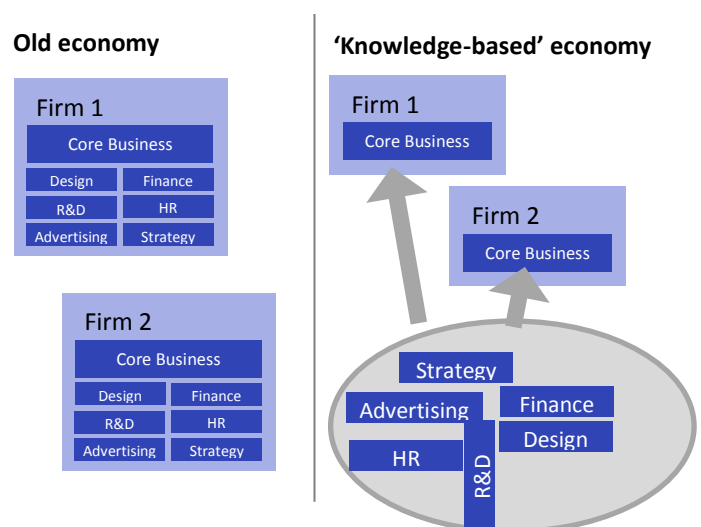
i. **Knowledge based services are the core economic driver of the future economy**

The long term competitiveness of the Australian economy is underpinned by its willingness and ability to innovate. Innovation helps to not only reshape product and service offerings for customers, but sometimes may also lead to the creation of new markets. As the global economy continues to evolve rapidly, innovation helps businesses and local economies remain relevant to the broader economic landscape.

It is important to note some of the key differences between innovation in the old economy (including traditional manufacturing), and innovation in a knowledge based context. Essentially this relates to the unbundling of the value chain (see Figure 4). In the old traditional economy firms completed much of their business activities in house. Under the new knowledge based economy many of these non-core functions have been outsourced and are completed by a range of specialist firms.

As a result, businesses need a greater degree of sophistication to innovate; value is not necessarily generated within an individual business, but rather through collaboration and knowledge sharing amongst multiple organisations. This in

FIGURE 4 SHIFT TO KNOWLEDGE ECONOMY



turn generates the importance of employment clusters where businesses within similar industries, supply chains or even philosophies benefit from co-locating within large employment areas.

The ability to leverage a skilled labour force is the other dimension in driving continual growth and evolution across all sectors of the economy. This growth will largely be concentrated in the financial and professional services sectors but retail, health, hospitality, agriculture, mining, construction will increasingly leverage analytical and creative skills to boost productivity.

ii. Health Care will be the single largest growth sector of the future

The health sector is expected to experience significant demand side pressures for growth due to a growing (and aging) population. This will not only necessitate significant investment in the core health care¹ system, but also likely result in a broadening of the sector overall with strong demand for allied and support services to complement super-specialisation² at the top end of the sector.

As a result, the sector is expected to have two growth fronts:

- i. local health services (i.e. General Practitioners) which will be evenly distributed across the metropolis and follow broad population and employment growth patterns. They will increasingly form a sizable component of local retail strips; and
- ii. regional level services (including hospitals and medical specialists) which will increasingly be clustered around major medical nodes as specialisation drives innovation.

The exception is private health care in affluent areas with ageing local population catchments, where there is often sufficient demand for certain types of medical specialists to support small clusters of specialist clinics.

iii. Ongoing changes in retail and hospitality

Acting as a primary shaper of local activity, the retail and hospitality sector has and will continue to evolve significantly. The composition of retail offers will continue to evolve to match consumer preferences and products. Major trends include:

- **Online retail;** a well-known phenomenon by 2015, online retail is significant in terms of marketing as well as distribution. Whilst sales can now occur online for almost any type of product (groceries were the fastest growing commodity for online sales in 2014), the ability to market a brand online is now the primary means of attracting new business whilst also keeping existing and past customers engaged. This is particularly important for apparel, where bricks and mortar retailers need to offer more than just a basic commodity.
- **Casualisation of hospitality;** a more subtle but no less important issue is the growing popularity of casual dining as a substitute for fine-dining. Casual dining still offers quality food but at a more reasonable price. In some cases it is also more amenable to opportunities for social interaction. In many communities, this superior value proposition is important for households which have been under economic pressures since the Global Financing Crisis.
- **Evolution of supermarkets;** over the past decade, the entry and growth of Aldi and Costco in the Victorian retail economy has created some significant disruption to the traditional duopoly of Woolworths and Coles. As with all disruptions, competition drives innovation, and we are now seeing Woolworths and Coles working harder with their suppliers to evolve their offers beyond basic groceries that Aldi can offer at better prices. The major supermarkets are now selling convenience meals to compete with fast food outlets and packaged meals and recipes to compete with family restaurants.

¹ Hospital beds and highly trained medical specialists

² Super-specialisation is the growing trend in the health sector where medical professionals specialise in narrowing sub-specialisations in order to focus their efforts and deepen their knowledge on particular medical conditions in specific components of the human anatomy. The most highly regarded medical experts are now super-specialists.

iv. Decline in traditional manufacturing and growth in logistics, warehousing and niche sectors

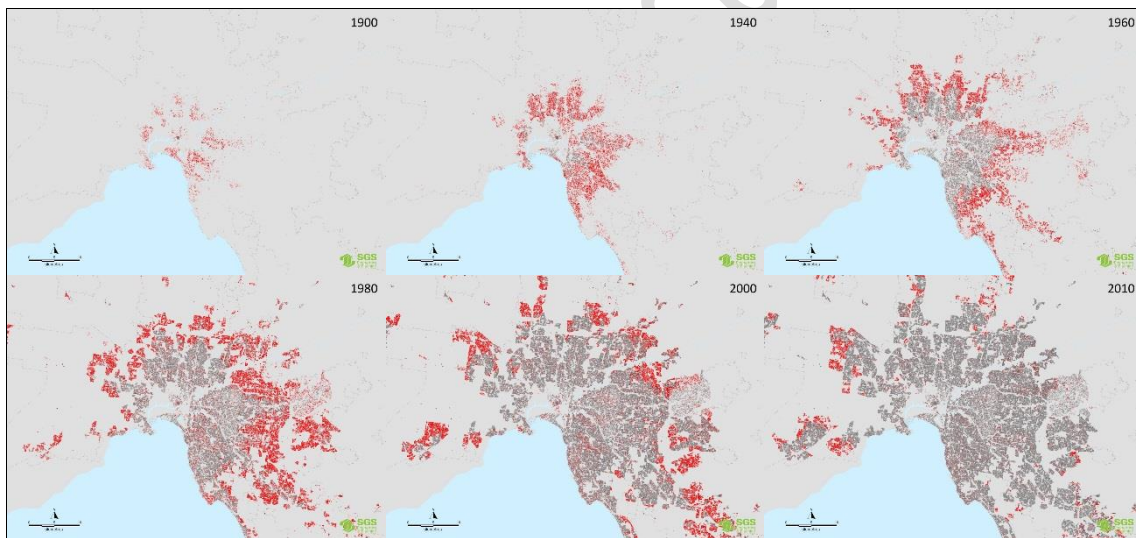
As trade barriers have been reduced and production has become more capital intensive the majority of the manufacturing businesses now source their labour from third world economies, where there are cheaper labour costs and (often more importantly) greater economies of scale are available. Many of those businesses now only require an import and storage facility, employing a few staff trained in transport and logistics. Many industrial precincts across the inner and middle ring suburbs are now filled with these types of operations.

However, selected subsectors of manufacturing still remain and are growing. Businesses largely focused around perishable products, advanced manufacturing and niche markets where local skills are still required. Employees with skills in engineering, information systems and graphic design are most valuable to types of businesses (note that these three skillsets often overlap). They are usually complemented by a handful of labourers and machine operators.

2.2 The spatial implications of a changing industry structure

This economic restructure has had a profound impact on the spatial structure of Melbourne. Figure 5 presents housing development over the past 100 years (*Grey shadings represent previous development, whilst the red shadings show the extent of new development since the time of the previous caption*).

FIGURE 5 HISTORICAL GROWTH OF MELBOURNE, 1900-2010



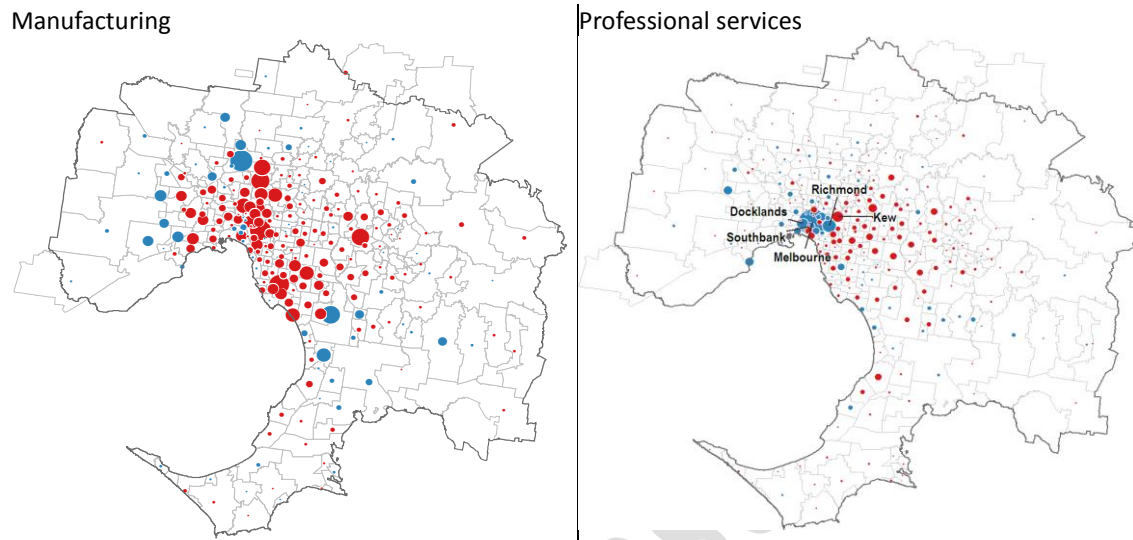
Source: SGS Economics and Planning drawing from council rates data and other datasets.

It shows a trend of suburbanisation from the 1960s to the late 1980s. During this period inner city employment growth stagnated as both population serving and industrial employment dispersed into the growth areas. This was attributed to the availability of affordable land, the removal of trade barriers, and the development of new housing estates on Melbourne's fringe, aided by increasing rates of car ownership. During this period the inner city, and CBD in particular, was not viewed as the highly desirable place to live, work or recreate that it is today. The landscape of economic activity was restricted to suburban corridors of office parks, malls and research factories; accessible largely by car. The trends were largely consistent across most cities in industrialised economies and it is true that even the great hub of innovation - Silicon Valley - was in this domain.

However, the geography of innovation is now shifting. The modern innovators – Google, Microsoft, Pfizer, and countless other start-ups are flocking to places such as London's Tech City, New York City's Chelsea District and Pittsburgh's Bakery Square. Similarly since the early 1990s we have seen this trend

of outward employment growth reverse with the City of Melbourne (and surrounding areas) increasingly capturing a greater share of employment activity. This changing spatial landscape which is occurring across Melbourne is best summed up in Figure 66 with the divergent trends of business openings and closures (*The red dots represent a net loss of businesses from a particular area, whilst blue dots represent net increases. The size of dots represent the relative magnitude of change, with larger dots signalling a large increase/decrease in number of businesses*).

FIGURE 6 NET CHANGE IN BUSINESS ESTABLISHMENTS BY POSTCODE 2001 TO 2011



Source: DSDBI

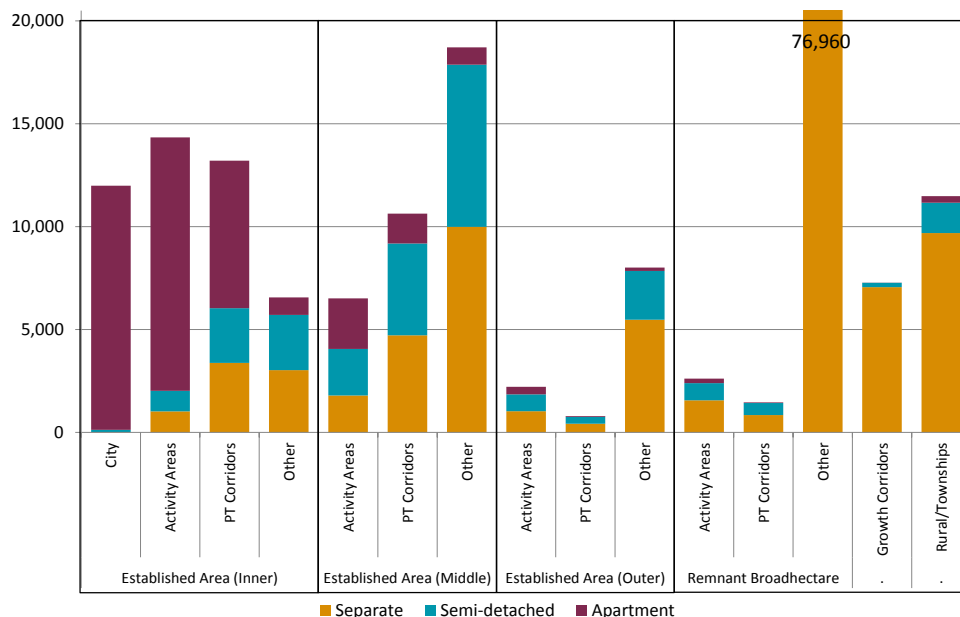
2.3 Pressure on employment lands from a strong housing market

Metropolitan Melbourne has also been experiencing unprecedented levels of housing development. This level of new supply has been driven by strong growth in population along with changing demographics and housing preferences.

Additional housing supply has been delivered by a wide range of parties from large private developers to private small scale (non-professional³) investors. New supply has also been realised in a wide range of locations and development forms from high rise towers in the city, to Greenfield detached housing estates on the fringe of Melbourne (See Figure 7).

³ Also referred to as 'mum and dad' type investors. Where existing home owners seek to capitalise on their own property. Typically doing one or two opportunistic developments rather than being heavily engaged in the sector on a full time basis.

FIGURE 7 2004 TO 2010 DWELLING CONSTRUCTIONS



Source: 2004-2010 Housing Development Data – DPCD prepared by Spatial Economics

In the middle ring (which includes Bayside) the vast majority of new supply was delivered in more dispersed locations through small scale incremental infill. The new zones are more restrictive around this form of development which will likely shift this demand pressure into activity centres which typically support more intensive forms of housing development.

This significant inward pressure on housing development has increased dwelling prices in the inner and middle suburban areas; increasingly creating a divided housing market in terms of development form and opportunity.

Dwelling growth influences the relative profitability of commercial and retail developments when competing in the same market (i.e. many commercial and mixed use zoning controls allow both types of development). The significantly higher sales price per sqm of residential versus commercial and floorspace is a challenge in inner city urban renewal locations, with residential developments 'pricing out' employment uses. This is further discussed in Section 6.

3 A BRIEF HISTORY OF BAYSIDE'S ECONOMY

The following sections seek to document the historical evolution of Bayside's economy. This heritage is a key part of the Bayside success story and highlights the importance of an evolving economy which grows with the local community needs.

3.1 1841: European settlement

Surveyed in 1841, Brighton was the first place in the area now known as Bayside to be established by European settlers. Land was subdivided for farming purposes and sold to supply agricultural produce for Melbourne. Initially subsistence farming, the crops mainly comprised of wheat, barley, oats and potato. The opportunity for fishing was also a drawcard, with fishermen settling along the coast in the 1840s.

With its coastal views and supply of large building sites, Brighton was highly sought after by prospective residents. It became a popular destination for holidays and day trips for residents across Melbourne.

By the 1850s, Brighton and Cheltenham were key shopping destinations for residents in the wider area. The main strips in central Brighton were Bay, Church and New Streets, with Bay Street the largest. New Street was later replaced by Point Nepean Road (known as Nepean Highway today) in terms of significance.

FIGURE 8 HALF MOONBAY (C. 1900)



Source: Allom Lovell & Associates 1999

3.2 1859: A rail link and land boom

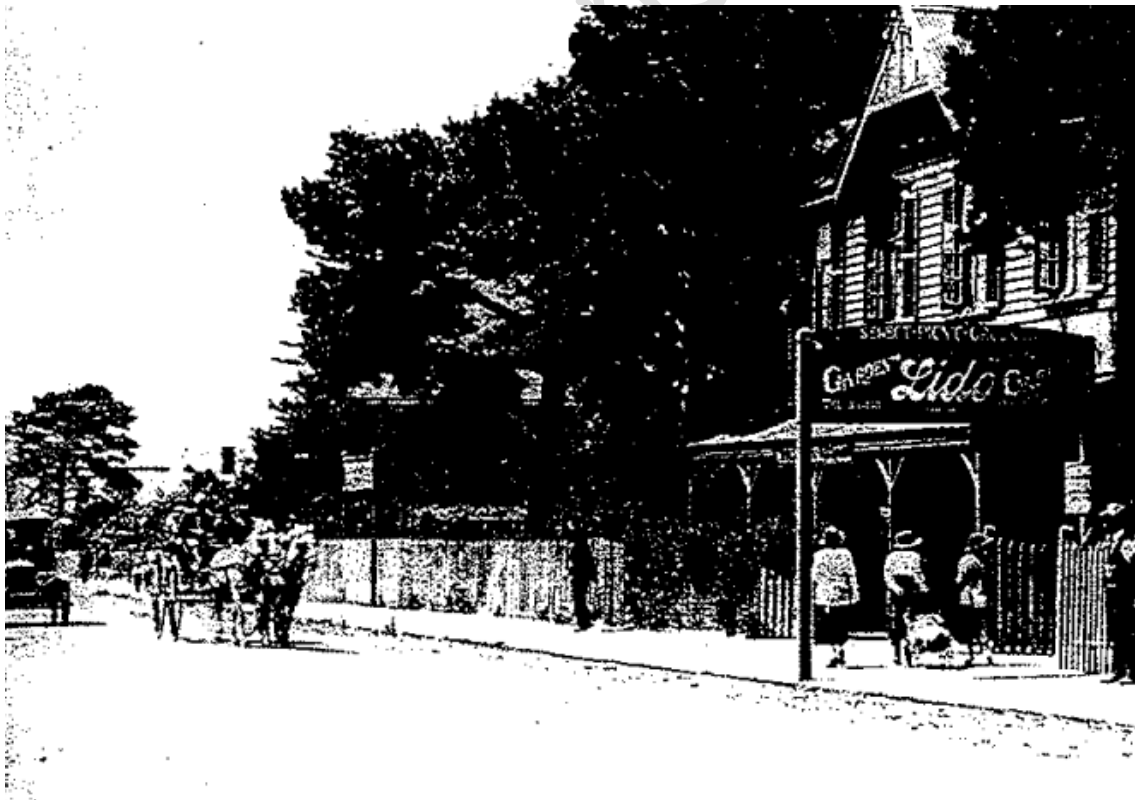
In 1859, a rail connection from Melbourne was established, increasing the accessibility of Bayside and stimulating a land boom, which resulted in rapid population growth. This was followed by a tram connection in 1906 and an electrified rail line in 1919 – when the majority of Melbourne’s employment opportunities were concentrated around the inner city.

Market gardens continued to be the dominant industry in the Brighton area until the interwar period; manufacturing industries such as blacksmithing, carriage building and soap-making played a secondary role, locating in a 200 metre strip on either side of the Nepean Highway. The few small-scale dairy farms that had been established to serve local needs dwindled by the commencement of First World War, with those wishing to expand moving to other parts of Victoria.

In Sandringham, Melrose Street was established as a retail centre early in the 20th century. Twelve businesses opened on the strip in the year 1900; this rose to 31 by 1918, with 33 more businesses across Station Street, Waltham Street and Bay Road.

With large numbers of visitors to the beach, the first shops in Hampton were constructed on Beach Road. As the permanent population grew in the area after Federation, the southern end of Hampton Street and Small Street saw development in commercial activity. This included cafes, milk bars and general stores, estate agents, billiard saloons, a hay and corn store, a bank and a newsagency, along with several libraries. Tea rooms were very popular across the area, with 12 locating along the coastline by 1910.

FIGURE 9 BEACH ROAD, HAMPTON (C. 1920)



Source: Allom Lovell & Associates 1999

3.3 1930s: Interwar period

With 154 businesses, Bay Street rose to the height of its ascendancy as the major strip in the area in the 1930s. Its high rate of development did not continue after this time, however. Church Street, which in its early years of establishment in the 19th century acted more as a thoroughfare than a shopping strip, began to take on a greater role in the development of commercial activity.

Over the 1920s and 1930s the Hampton shopping strip was almost fully developed, and became a significant business precinct.

With the supply of inexpensive land, areas near Sandringham such as Black Rock and Beaumaris began to attract manufacturers in the early 1920s. Nonetheless the manufacturing industry did not comprise a significant proportion of the local economy until the 1940s when small factories began to establish consistently in the area. Industrial development moved east in the early 1940s as a result of the greater availability of large, vacant sites. The State Government played a role in this, establishing a factory on a large site in Highett in the late 1930s. Used for aircraft manufacturing during the Second World War, it was later converted for use by the CSIRO.

3.4 1950s: Postwar housing and industry growth

In the 1950s, the remaining unoccupied land in the Bayside area was subdivided for housing and industry, and the area's profile as one of predominantly farming and tourism activity continued to change. In the late 1960s, government policy aimed to attract industries, jobs and population to municipalities across Australia. While most of these programs targeted metropolitan sub-regions and large towns, some were utilised across the various areas of Bayside.

FIGURE 10 CHURCH STREET, MIDDLE BRIGHTON (C. 1956)



Source: Austin, M 2006

The origins of what is now the Bayside Business Employment Area also began to emerge in the postwar period, with factories of various sizes and types being established along Bay Road in Cheltenham and

surrounding streets. One of the largest of these was the premises of the engineering company Johns & Waygood, which relocated from South Melbourne to a site on the corner of Bay and Reserve Road in the mid-1940s. This complex was to continue to expand over the following decade, to become what was described as the largest steel fabrication plant in the southern hemisphere.

3.5 1980s to today

In the 1980s government policy transitioned from direct intervention into regional economic development to play a greater facilitative role. Economic development took on more of a 'bottom-up' focus, with the previous Councils (which following amalgamations now form part of Bayside) formally participating in specific economic development initiatives and strategies, and forming new Council Economic Development Units. The mandate of these units continued after the amalgamation of the councils to form Bayside City Council in the mid-1990s. Economic development policy from the 2000s onwards has built on the bottom-up strategies of past decades to focus on sustainable outcomes, informed by the community and integrating economic, social and environmental needs; a government-enabler approach.

Growth of enclosed shopping centres has occurred at unprecedented rates across Melbourne, beginning in the 1970s and continuing on well into the 1990s. Shopping centres surrounding Bayside, including Southland and Chadstone, increased their retailing floorspace two to three fold over this period. Marketed towards aspirational young families, the variety of stores, enclosed nature and entertainment aspect of these regional shopping centres increased competition with Bayside's retail strips, with Southland in particular drawing significant numbers of visitors from the Highett and Beaumaris Concourse areas. Business services in Bayside's Activity Centres, however, grew in proportion during the 1990s.

From the latter part of the 1980s, activities on industrial zoned land in Bayside have been transitioning from traditional manufacturing toward transport, storage and distribution; considered 'cleaner', higher amenity and more modern. This trend is expected to continue in the future, particularly in light of the metropolitan-wide decline in manufacturing, the relatively high cost of land in Bayside and the skills of the resident workforce.

3.6 Reflection on Bayside's history

Bayside has a long history of trade and activity around its geographical links with natural water sources. Once the source of food and goods for trade, the Bayside coastline became a major visitor attraction (as it remains today), encouraging leisure and retail activity in the area.

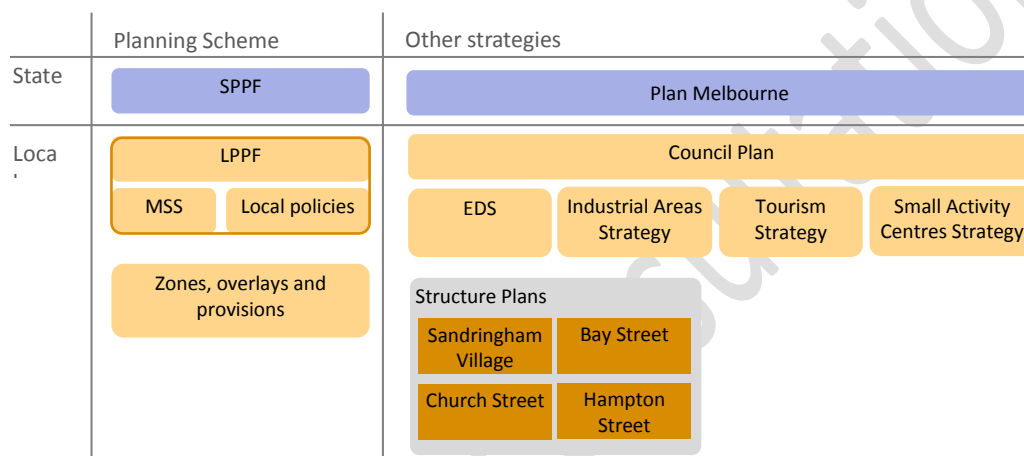
The shopping villages of Bayside form a part of this history, and have long-served the needs of both residents and visitors alike. While maintaining their village feel, these centres have had changing roles and uses over time, declining and increasing in reach and prominence as the composition of Bayside's population and economy has changed. With shifting commercial and resident needs and retail conditions, these centres, along with other areas of employment, must continue to be responsive to change and evolve to achieve a sustainable future.

4 POLICY FRAMEWORK

This chapter outlines the existing planning and economic policy at the state and local level that is of relevance to the development of RCE Strategy. The implications of the existing policy framework on the future strategy will be assessed.

Figure 11 below provides a diagrammatic overview of the recent and relevant state and local policies impacting on the employment precincts and retail activity centres across the municipality.

FIGURE 11 STRATEGIC FRAMEWORK



Source: SGS Economics and Planning

4.1 State policy

State planning policy guides the overall developmental direction of the state and can have both general and very specific impacts on employment lands across a local government area. There are two core documents in particular that provide guidance for Activity Centres and Employment Areas in the Bayside City Council:

- Plan Melbourne: The current Metropolitan Strategy for Melbourne, which is adopted in the State Planning and Policy Framework (SPPF).
- SPPF: defines the tools and overarching planning policy framework for all local governments.

The following highlights key aspects of these documents which are relevant to Bayside’s retail, commercial and employment landscape.

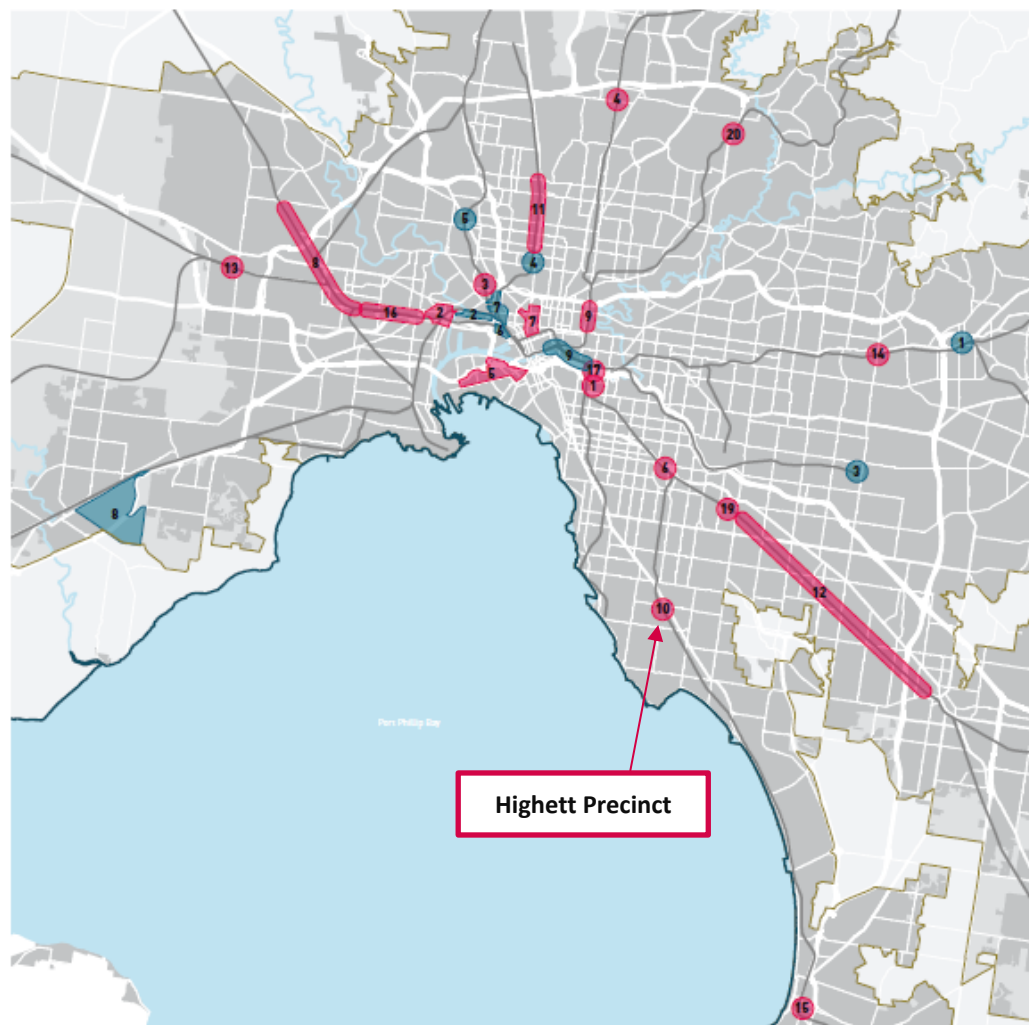
Plan Melbourne

Plan Melbourne was released by the Victorian Government in May 2014. It is the Government’s Metropolitan Planning Strategy, providing direction and guidance for city growth and change over the next 40 years.

Bayside’s Highett precinct is identified as a potential area of urban renewal in Plan Melbourne’s initiative to identify new urban-renewal precincts and sites around the existing rail network, based on transit-

oriented development principles. The Initiative advocates transit-oriented development as a key means of achieving employment and population growth.

FIGURE 12 POTENTIAL URBAN RENEWAL PRECINCTS IDENTIFIED IN PLAN MELBOURNE



MAP 11 – POTENTIAL URBAN-RENEWAL PRECINCTS AND SITES CLOSE TO RAIL

SOURCE: DEPARTMENT OF TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE, 2014



Source: Adapted from DTPLI 2014, 'Plan Melbourne'

Whilst not a major initiative in its own right, Plan Melbourne simplified the classification of Activity Centres from its predecessor (Melbourne 2030). All centres previously classified as Principal or Major Activity Centres (PACs and MACs) are now known as just Activity Centres. This has generated some conjecture around Metropolitan Melbourne regarding the applicability of pre-2014 Activity Centre

strategies which had defined Activity Centre hierarchies using Melbourne 2030 naming conventions. In some cases developers have used the policy vacuum as an opportunity to expand Neighbourhood Centres into MACs, but then name them as any ordinary Activity Centres.

State Planning Policy Framework

The SPPF translates State Government land use policies - including *Plan Melbourne* - into statutory planning provisions. The SPPF is applied to all local planning schemes and provides the strategic framework for land use planning across Victoria. The SPPF details several objectives relevant to employment growth and Activity Centre planning that are particularly relevant for the Bayside RCE Strategy.

Under Clause 11 of the SPPF, future development of Melbourne is to be focused in and around Activity Centres across Victoria. A network of Activity Centres has been established under the SPPF which:

- Comprises a range of centres that differ in size and function;
- Is a focus for business, shopping, working, leisure and community facilities;
- Provides different types of housing, including forms of higher density housing;
- Is connected by public transport and cycling networks; and
- Maximises choices in services, employment and social interaction

Strategic planning is expected to play a role in identifying the use and development of land within and surrounding Activity Centres and provide a clear direction for investment in a range of land uses.

Commercial development (including retail and office) is to be contained within existing or planned Activity Centres. Under Clause 17 of the SPPF, out of centre development should be discouraged with proposals for commercial (including retail and office) uses within areas outside of Activity Centres to be subject to a net community benefit test.

A secure supply of industrial land, particularly in new urban growth areas, is required to support the continual growth of employment opportunities. Whilst there is no State Significant Industrial Land identified within the Bayside City Council, the policy does state that all industrial land should be protected against encroachment from unplanned uses which will impact on the viability of industrial land and therefore impact on supply. Where industrial uses are considered high impact, a buffer should be provided between these areas and sensitive land uses.

Under Clause 16 of the SPPF, residential intensification should be concentrated in or close to Activity Centres and employment corridors, as well as within strategic redevelopment sites, which are accessible to services and transport.

4.2 Local policy

The following section provides an overview of the Bayside City Council's existing local policy frameworks within which the RCE Strategy will be developed.

Bayside City Council Plan 2013-2017 (reviewed in 2014)

The Bayside City Council Plan presents 7 key goals for the municipality to 2017, to assist in guiding decision-making, allocation of resources, service provision and organisational structure. An overview of these goals is presented in the table below.

Goal	Objectives/strategies
1. An engaged community and council	To better engage the community in decision-making, by encouraging participation from people of different life stage, interest, gender and ability groups.
2. A strong supportive community	To ensure accessibility of services and facilities to people of all ages and abilities, and promote the attraction and retention of volunteers.
3. A liveable city	To protect neighbourhood character and the public realm while providing infrastructure and transport options to meet the needs of the Bayside community.
4. A sustainable natural environment	To protect and enhance Bayside's foreshore and other natural environments, and promote the retention and establishment of vegetation on private and public land (with a secondary aim to increase the use indigenous plant types).
5. A creative active community	To increase participation in Bayside arts, culture and recreation activities, and support the municipality's diverse culture. Lifelong learning programs are also to be better facilitated.
6. A thriving local economy	To establish a strong, creative and innovative local economy. This is to occur through: <ul style="list-style-type: none">– Strengthening Bayside's status as a sporting and tourist destination, by improving foreshore areas, open spaces and infrastructure, and attracting major recreation and sporting events; and– Creating thriving shopping and business precincts, by working with the business community and providing opportunities for growth and prosperity, and promoting shopping areas and strong business precincts.
7. Financial responsibility and good governance	To effectively manage resources, including maximising community utilisation of Council assets and efficient delivery of services, and advocating for State and Federal funding.

Bayside City Council Planning Scheme

The Bayside Planning Scheme incorporates state planning policy and guides development across the municipality.

The Municipal Strategic Statement (MSS) presents specific guidelines in relation to strategic planning, land use and development objectives for Bayside.

Clause 21.02 outlines the key issues faced by the municipality. Those relating specifically to Activity Centres and Bayside Business Employment Areas include:

- The need to support and strengthen economic development within appropriate locations;
- The need to retain and strengthen the Bayside Business Employment Area as a precinct of quality and profile;
- The need to retain core retail function and appropriate retail mix within Activity Centres despite significant competition from outside centres; and
- Defining the role of tourism in the local economy.

Economic development

Clause 21.07 describes issues relating to economic development in greater detail, grouping these into three key areas and outlining objectives and strategies to address them. These are summarised below.

Area	Description, issues and strategies
Activity Centres	<p>The MSS describes Bayside's Activity Centres as important providers of services and employment. They thrive on their 'village feel' and variety of offer; the functionality and physical appearance of centres are critical to their viability and attractiveness. The MSS recognises the need to balance local and visitor needs in Activity Centres in the future, and maintain the vibrancy and core retail function of centres in the face of ongoing competition from larger centres, new forms of retailing, and improvements to communications, IT, and consumer awareness. It is expected that residential growth will further strengthen the role and viability of Activity Centres in Bayside. Key Activity Centre shaping strategies for Bayside include:</p> <ul style="list-style-type: none">– Retaining, strengthening and diversifying the retail core of each Major Activity Centre and large Neighbourhood Activity Centre, whilst maintaining the individual strengths of each Centre; and– Facilitating high quality commercial, residential and mixed use development within and adjacent to Major Activity Centres, and locating major retail developments with the potential to serve wider catchments in the retail core of Major Activity Centres.
Bayside Business Employment Area (BBEA)	<p>The BBEA is to be a major focal point for future business development and employment in Bayside, shifting from its traditional industrial base to a focus on high-tech industries, office and business activity in response to surrounding residential development (preventing land-use conflicts and creating employment for a skilled resident workforce) and wider structural changes in the Victorian economy. The BBEA is to fill an identifiable niche in the south-east region of Melbourne.</p>
Tourism	<p>Bayside has a long-standing history of tourism. While primarily associated with the bay, tourism also occurs around the municipality's shopping offer, heritage, sites of natural significance and golfing. The MSS expresses concerns that poor management</p>

Area	Description, issues and strategies
	of tourism attractions in the area may cause issues of overcrowding, environmental degradation, stressed car parking and roads, and loss of an area's traditional identity. This is of particular concern in coastal areas and natural vegetation reserves, as well as retail precincts. As such, tourism activities need to be respectful of the municipality's residential, heritage, leisure and environmental assets.

Local areas

Clause 21.11 sets out objectives and strategies at a local scale for Activity Centres and the BBEA. These are summarised below.

Description, issues and strategies	
Major Activity Centres	
Sandringham Village	Sandringham Village is a multi-use centre with a seaside and heritage character and a community facility role along with its retail core. Strategies for Sandringham include expanding its offer of non-food retail, ensuring continuity of active frontages and retention of housing for older persons and residential aged care. The Centre also contains a significant office precinct at Bay Road. <i>Refer to the Sandringham Village Structure Plan 2006 for more information.</i>
Bay Street, Brighton	Bay Street is a centre with heritage character and two-storey narrow shopfront pattern along its streetscape that is to be maintained. It is to have an ongoing community activity focus, with a retail core, offices at the western end of the centre and a mixed use medical centre, office and retail precinct at the eastern end. <i>Refer to the Bay Street Centre Structure Plan 2006 for more information.</i>
Church Street, Brighton	Church Street is a multi-use centre offering high-quality retail (particularly fashion, homewares and other shopping), office, entertainment and community services. Expansion of the Woolworths supermarket to full-line status to act as a stronger anchor for the centre is to be supported. Integration of the St Andrews Church grounds into the centre is also to be encouraged, along with shop top housing and other residential development in and around the centre. <i>Refer to the Church Street Centre Structure Plan 2006 for more information.</i>
Hampton Street	Hampton Street is a multi-use centre along a lengthy retail strip that includes library and other community services. Redevelopment of the Willis Street Precinct is to be facilitated, along with increased housing densities and diversity of housing types within the centre. Larger developments are to be directed to larger sites within or adjoining the business precincts. <i>Refer to the Hampton Street Centre Structure Plan 2006 for more information.</i>
Neighbourhood Activity Centres	
Beaumaris Concourse	A diverse mix of uses is to be encouraged within the centre, including a range of eating and entertainment facilities outside the core retail area. Planning is to ensure that offices do not undermine the active street life of the centre, and moreover discourage the conversion of ground floor shop fronts to non-retail uses.

Description, issues and strategies	
	Conflicts between residential and retail or entertainment uses are to be discouraged by applying noise attenuation measures and enforcing appropriate hours of operation.
Highett	A strong and positive identity and image for the Highett area is to be developed. The opportunity to live and work in Highett is also to be encouraged, with establishment of offices with dwellings above. The redevelopment of the CSIRO site to medium density residential use with potential education related use is also encouraged. Note that the structure plan for this centre was jointly led by the Cities of Bayside and Kingston, and has been designated as an Urban Renewal Area by Plan Melbourne.
Martin Street, Gardenvale	The Edwardian design theme of Martin Street is to be maintained, and a reduction in retail floor spaces at the ground floor level as a result of the location of offices in vacant shops is discouraged in the centre's core areas. Offices, peripheral sales and other showroom uses are to be promoted at the southern end of the centre.
Black Rock	The Black Rock centre's local convenience function is to be protected and reinforced. A mix of active retail and commercial uses at ground floor level is to be facilitated, with residential and office uses above. Built form that provides a visual connection with Port Phillip Bay is to be encouraged. The maintenance of and adequate supply of car parking is also to be ensured.

Bayside Business Employment Area (BBEA)

Clauses 21.11 and 22.04 provide direction for future development of the BBEA. While there is recognition that a large proportion of the area is unused, run down and in need of revitalisation, the Planning Scheme notes the social and economic importance of the BBEA. The retention and expansion of existing businesses is encouraged, along with efforts to attract new employment activity to the area.

There is acknowledgement that employment opportunities within the area are poorly aligned with the local skill base. The appearance, amenity and functionality of the area must be improved, along with the effectiveness of the road network. There is to be an appropriate interface between uses in the BBEA and surrounding residential uses, and the use of perimeter roads as a thoroughfare (stretching the recommended vehicle capacity for residential streets) is to be discouraged. Given that the BBEA also abuts the Bay Road Heathland Sanctuary, development must also address potential land use conflicts with this environmentally significant site.

In terms of use mix in the BBEA, the following uses are encouraged:

- Manufacturing/warehousing/offices;
- Storage/distribution;
- Export oriented businesses;
- High technology businesses (especially those with a global focus);
- Other forms of clean, non-polluting, environmentally friendly businesses; and
- Businesses that are prepared to invest in establishing and maintaining a high quality environment.

The Scheme asserts the need for the BBEA to adopt a business/employment focussed role, thus complementing and not conflicting with development opportunities in nearby Activity Centres.

Economic Development Strategy (updated 2014)

Bayside's 2010 Economic Development Strategy was recently updated in 2014, identifying performance and trends, as well as drivers of economic growth. Bayside's key strengths are identified in the Strategy as its highly skilled, service-based local workforce that has a relatively high rate of employment and income compared with the metropolitan average. There are indications that its economy is well-placed to continue to transition to higher order jobs that match the skilled local workforce.

Retail and Commercial Activity Centres

Streetscape improvements are to be made according to adopted Structure Plans for Activity Centres along with the establishment of robust traders' associations. Opportunities to differentiate Bayside's retail centres are to be maximised, by supporting shopping village retail centre coordination, whilst the performance and retail offering of centres is also to be monitored. Links are also to be made with the tourist market.

Given that Bayside does not possess a regional or sub-regional centre, the Strategy asserts that the municipality does not have sufficient competitive advantages in the retail sector to play a major role in the wider Regional context. It is instead continued population growth, business investment and innovation and real income growth that are expected to contribute to economic development in Bayside into the future.

Bayside Business Employment Area (BBEA)

Actions for the BBEA include establishing an urban design theme for the area and developing a marketing strategy to promote the area.

The manufacturing sector is expected to continue to decline in Bayside, relocating to less expensive land in other suburbs. This is of particular relevance to the BBEA. Given the manufacturing sector is not a significant employer in Bayside, this transition will effectively free up land for more office and knowledge intensive employment activities in the BBEA and provide more high-value local jobs.

Bayside Industrial Area Strategy (2004)

The 2004 Bayside Industrial Area Strategy assessed and produced a vision for the Bayside Industrial Area (now the Business Employment Area). The Strategy identified the area's relatively large sites (at parts); its high overall amenity; its good access to the wider road network, Port Phillip Bay, and sporting, recreation, and leisure facilities; its skilled working population; and its proximity to larger business/industrial areas such as Cheltenham and Moorabbin as its key strengths.

The area's weaknesses, on the other hand, were identified as the relatively small size of the industrial area; the potential for conflict with surrounding uses; some amenity and access issues, particularly for heavy commercial vehicles; the relatively high cost of land compared to other industrial areas; the old and underutilised building stock; and the distance needed for workers who are attracted to the industrial mix of jobs to travel from home.

With consideration of these strengths and weaknesses the Strategy recommended a shift in use in the area, away from traditional industrial use to encompass a broader range of business types that is more compatible with the uses of the surrounding area and its resident workforce, and that is better in line with trends in the overall structure of the economy. It further recommended that the new business area be linked with the Southland Activity Centre and that it potentially incorporate a new retail service centre or business hub close to the intersection of Bay Road and Reserve Road.

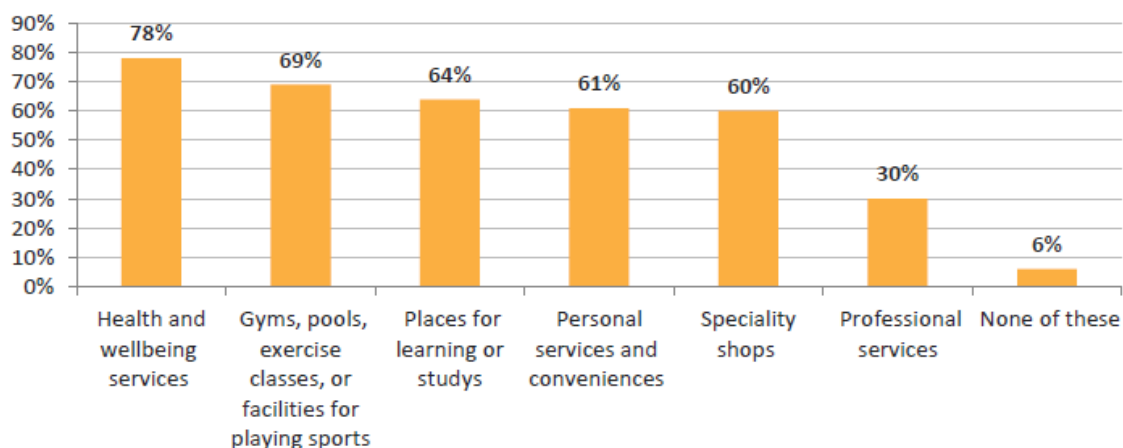
Bayside City Council: Research into the night-time economy (2014)

This report, commissioned by Council, explores attitudes towards the night-time economy in Bayside, defined as retail, service and community facilities after 6pm of an evening, based on a survey of Bayside residents.

Attitudes towards the night-time economy are generally positive, with only 1 per cent of respondents not liking the idea of businesses and shopping strips being open in the evening. Younger people were found to be more likely to support the active promotion of the night-time economy than older age groups, while Sandringham, Beaumaris and Black Rock residents were less enthusiastic in supporting to promotion of night time activities than residents from the northern parts of the municipality.

The following graph illustrates the percentage of respondents that indicated they would use a type of service after 6pm. Around four-fifths of residents indicated that they would use health and wellbeing services, such as doctors, physiotherapy or health/lifestyle advice, during the evening – likely linked to demand for post-work services on a weekday.

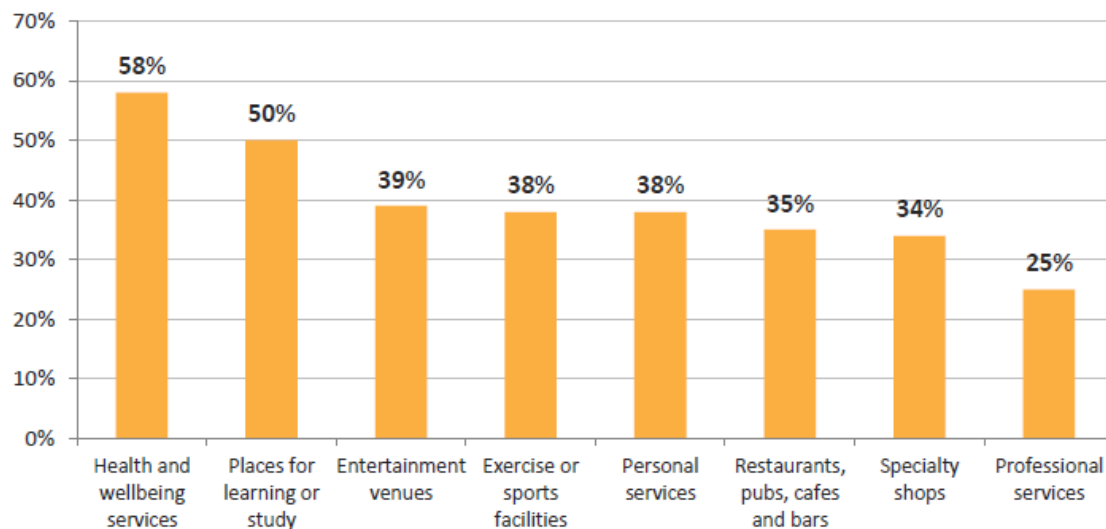
FIGURE 13 BUSINESSES AND SERVICES LIKELY TO BE USED AFTER 6PM



Source: Wallis Consulting Group, 'Bayside City Council: Research into the night-time economy'

Almost 60% of respondents also indicated that more health and wellbeing services should be available during the evening, as seen in Figure 14. Half of all respondents also indicated that more places for learning or study should also be available in the evening.

FIGURE 14 PROPORTION OF RESIDENTS WHO FEEL MORE OF THESE BUSINESSES OR SERVICES SHOULD BE AVAILABLE AFTER 6PM



Source: Wallis Consulting Group, 'Bayside City Council: Research into the night-time economy'

Attributes considered 'very important' to the night-time economy included: good lighting in streets and paths (77% of respondents), free parking (76%), available parking (74%), good community atmosphere (65%), being close to public transport or taxis (56%), and places to meet people and be social (54%).

Overall, differences in attitude towards the night-time economy were more age-based than location-based in Bayside. The Report suggest that policy surrounding the night-time economy is based on targeting age groups rather than locations.

Bayside Small Activity Centres Strategy (2014)

The Small Activity Centres Strategy assesses the 38 smaller order Activity Centres of Bayside, building on a similar review of the business mix, appearance and performance of these centres, released in 2013. These centres are categorised as Small Neighbourhood Activity Centres (small centres with limited retailing that provide a local convenience role) or one of two types of Small Commercial Activity Centres: mixed use commercial centres with no convenience retailing role, or highway oriented centres.

Small Neighbourhood Activity Centres

The Strategy recognises the important community focus and service role of these centres, along with the housing choice and additional activity provided by shoptop housing and their residents. A key threat to these centres is the replacement of their convenient retail function and active ground level facades by non-retail uses. There is also a need to manage amenity and interface issues with adjoining residential properties. It is recommended that the convenience retail function is maintained in these centres through their inclusion in the Bayside MSS, active frontages are promoted to encourage street life, and appropriate shoptop housing is encouraged.

Small Commercial Activity Centres (Mixed Use)

These Centres contribute to the economic diversity of Bayside, accommodating smaller scale businesses and specialist retailers, as well accommodating community activity through cafes and restaurants. A key issue in these centres, however, is the location of offices at the ground floor, which can reduce the vitality of the centre. It is recommended that the MSS is updated to include these centres, and a capacity assessment is undertaken to determine whether the re-establishment of convenience retailing is achievable in some of these centres. Appropriate shoptop housing is also encouraged.

Small Commercial Activity Centres (Highway Oriented)

The Strategy recognises location, space and exposure as the key strengths of these centres. They add to the diversity of the retail offer in Bayside, accommodating businesses and retailers that benefit from the highway location, such as car sales and big box retailing. While residential development can be appropriate in these locations, amenity and interface issues must be addressed. It is recommended that the MSS is updated to include guidelines to improve the pedestrian environment and amenity of these centres.

In terms of retail gaps, the Strategy does not identify any real needs in terms of local convenience retailing, but notes that accessibility may be improved if local convenience retailing is re-established in the following centres:

- Bluff & Bay Road, Sandringham/Highett;
- Esplanade & Grosvenor Street, Middle Brighton;
- New & Bay Street, Brighton; and/or
- New & Martin Street, Brighton.

Bayside Tourism Strategy (2013)

The Bayside Tourism Strategy assesses the strengths of Bayside's tourism industry to identify new opportunities to develop this sector. With approximately 2,100 Bayside residents employed in the Accommodation and Food Services industry, tourism can make an important contribution to local employment.

The Strategy lists the following as Bayside's key competitive advantages in the tourism industry:

- Coast, foreshore and parks;
- Major events, sport and recreation;
- Shopping villages;
- Arts, heritage and culture;
- Transport links; and
- Community support for tourism and volunteering.

The Strategy recommends that a 'point of difference' is required in the marketing of Bayside's shopping villages. It suggests that *specialty shopping in friendly seaside village settings* could be used to attract visitors to the municipality. It further recommends that Council foster strong shopping village Traders Associations and street activity, and consider high-quality residential dwellings for Bed and Breakfast operations. Bayside's strong café, bar and restaurant industry is also recognised in the Strategy, with 150 businesses undertaking these operations in the municipality's nine major shopping centres. Bayside also has a diversity of retail and other commercial offers, including hundreds of retailers and specialist sport, recreation and travel businesses.

4.3 Summary and implications

Planning for activity centre and employment land is a key objective of state and local policy. The review in this chapter has identified a number of policy issues which are of significance to the RCE Strategy.

Plan Melbourne abandoned the distinction between Principal and Major Activity Centres and now identifies them simply as Activity Centres. In light of these changes in state planning policy, there is now a need to provide updated clarity around the structure and hierarchy of centres across Bayside, with terminology of centres an important issue in the implementation of activity centre policy.

Bayside's MSS identifies its Major Activity Centres as an important focal point for commercial, residential and mixed use development – in addition to the retail core which they already possess. The night-time economy research also suggests that there is some potential for an expanded scope of retail and hospitality activities in some centres. It is expected that the RCE Strategy will provide Council with updated advice for how Bayside's activity centres can be improved. The strategy would also need to be cognisant of the diverse range of characteristics that each of Bayside's centres exhibits.

The Bayside Business Monitor's research programme has identified that the BBEA has transitioned away from traditional manufacturing towards a more eclectic composition of business services. However the establishment of new activities in the area is still a slow and fragmented process, so there is a need for Council to reassess the precinct, determine whether it will achieve current and future employment objectives, and provide updated precinct policies and strategies for action.

5 DEMOGRAPHIC TRENDS

This section reports on demographic trends within the Bayside City Council, with a specific focus on population trends and the needs and capabilities of local residents.

5.1 Broad population trends

Bayside City Council is presently experiencing moderate population growth. Over the next 15 to 20 years, the population of Bayside is expected to increase by over 12,000 persons (Figure 15). This is similar to the expected growth rate projected for the City of Glen Eira, with more substantial levels of population growth expected in the Cities of Port Phillip and Kingston.

FIGURE 15 POPULATION GROWTH - SELECTED LGAS, 2001-2031

	2001	2011	2021	2031
<i>Bayside</i>				
Population	88,300	96,100	110,800	116,800
Change		7,800	14,700	6,000
Ave. Annual Growth Rate		0.9%	1.4%	0.5%
<i>Glen Eira</i>				
Population	122,300	137,600	148,900	157,100
Change		15,300	11,300	8,200
Ave. Annual Growth Rate		1.2%	0.8%	0.5%
<i>Port Phillip</i>				
Population	80,100	97,800	111,900	123,200
Change		17,700	14,100	11,300
Ave. Annual Growth Rate		2.0%	1.4%	1.0%
<i>Kingston</i>				
Population	133,100	148,300	164,700	180,100
Change		15,200	16,400	15,400
Ave. Annual Growth Rate		1.1%	1.1%	0.9%
<i>Greater Melbourne</i>				
Population	3,500,200	4,169,400	5,075,000	5,956,900
Change		669,200	905,600	881,900
Ave. Annual Growth Rate		1.8%	2.0%	1.6%

Source: id.forecast, Victoria in Future 2014 and SGS Economics & Planning

Figure 16 focuses on the suburbs and Activity Centres of Bayside. Over the period from 2011 to 2031, Sandringham (Balance), the Hampton Activity Centre and the Highett Activity Centre are expected to accommodate the most significant levels of population growth.

FIGURE 16 POPULATION GROWTH – BAYSIDE AREAS, 2006-2031⁴

Area	2006	2011	2021	2031	Change 2011-31	
					No.	% p.a.
Brighton (Balance)	18,200	19,100	20,300	20,700	1,600	0.4%
Brighton East	15,100	15,700	17,000	17,400	1,700	0.5%
Beaumaris	12,500	13,000	14,300	14,500	1,500	0.5%
Hampton (Balance)	10,100	10,700	10,900	11,200	500	0.2%
Sandringham (Balance)	7,100	7,400	10,500	11,000	3,600	2.0%
Black Rock	6,000	6,300	7,000	7,100	800	0.6%
Hampton East	4,500	4,900	5,300	6,000	1,100	1.0%
Highett (Balance)	4,100	4,400	4,600	4,500	100	0.1%
Cheltenham	3,300	3,400	4,200	4,800	1,400	1.7%
Highett Activity Centre	2,200	2,400	4,200	4,900	2,500	3.6%
Hampton Activity Centre	2,200	2,300	4,200	5,200	2,900	4.2%
Bay Street Activity Centre	1,800	2,200	3,400	3,800	1,600	2.8%
Sandringham Activity Centre	1,900	2,100	2,600	3,000	900	1.8%
Church Street Activity Centre	1,900	2,100	2,400	2,800	700	1.4%
Total	90,800	96,100	110,800	116,800	20,700	1.0%

Source: SGS using id.forecasts

Whilst population growth gives a broad indication of local demand for services and the general size of the workforce, population characteristics provide a more nuanced understanding of the local economy.

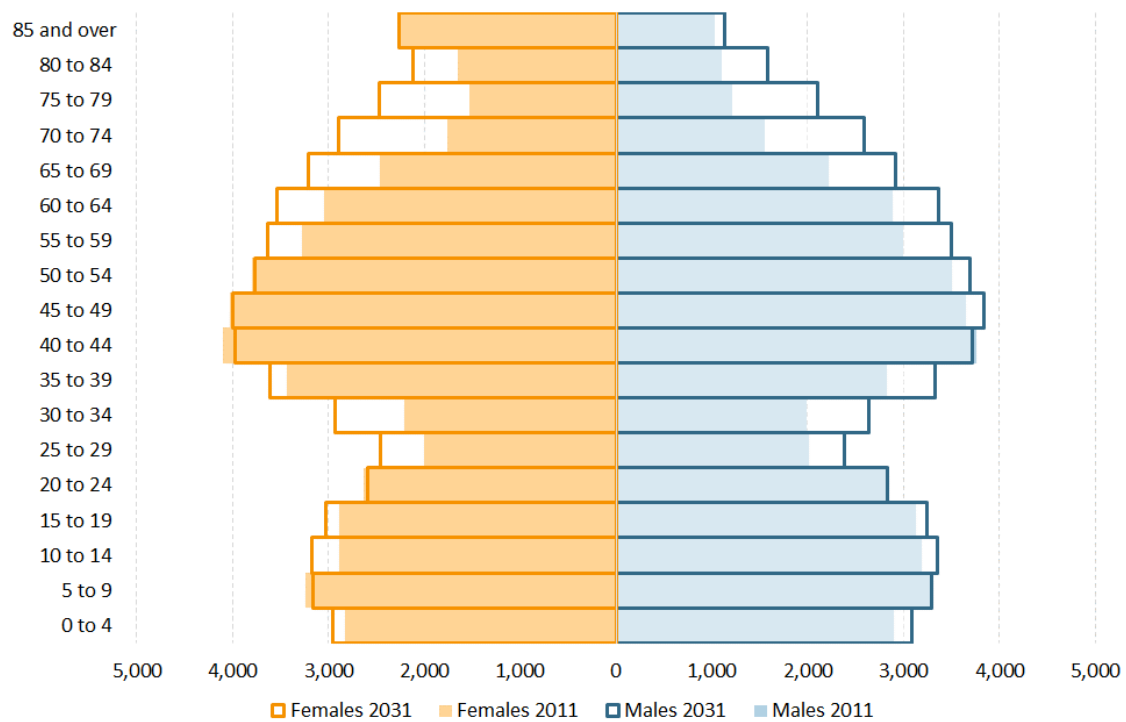
Figure 17 below is the Bayside City Council's population pyramid. It demonstrates Bayside's status as a family community, with a relatively higher representation of middle aged adults (35 to 64 years of age) and children (0 to 19 years of age).

The pyramid also projects a slight change in the municipality's age structure over the next 20 years. Firstly there is an expectation that a greater number of younger adults (25 to 34 years of age) will reside in the municipality. This has implications for retailing in particular, as persons that age are more likely to spend on apparel as well as engaging in a greater variety of casual dining and night-time entertainment. It is also possible that these younger residents will occupy medium density dwellings in and around Major Activity Centres.

The second observation is that of a general ageing of the adult population. The obvious conclusion is the need for a greater provision of medical and aged care services. It also has implications for the type of recreational and entertainment activities that are likely to engage local residents. Lower risk and more traditional types of retailing and hospitality would be of greatest relevance to this demographic.

⁴ Please refer to Appendix A for a full tabulation of change and average annual growth rates

FIGURE 17 AGE PROFILE – BAYSIDE (C), 2011-2031

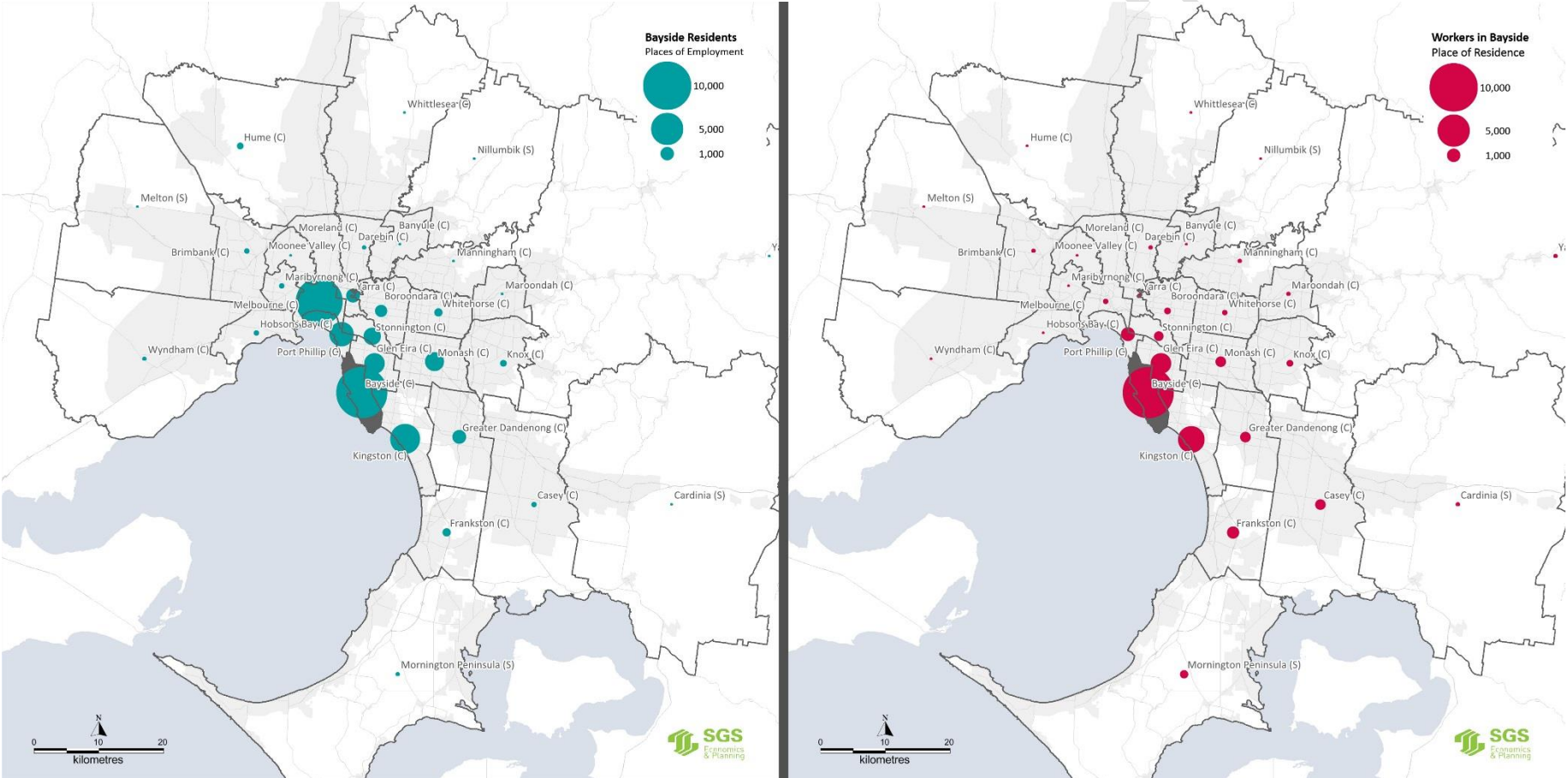


Source: id.forecast

5.2 Workforce

The Bayside City Council's workforce is employed across the inner south of Melbourne (Figure 18). More Bayside residents work in the City of Melbourne than in any other municipality. However (and perhaps more surprisingly) many residents also work within Bayside itself. This is an important finding because it suggests that notwithstanding residents which may work from home, Bayside's Activity Centres and the BBEA are highly significant sources of local employment both presently and into the future.

FIGURE 18 BAYSIDE – RESIDENTS’ PLACE OF WORK (BLUE) & WORKERS’ PLACE OF RESIDENCE (RED)



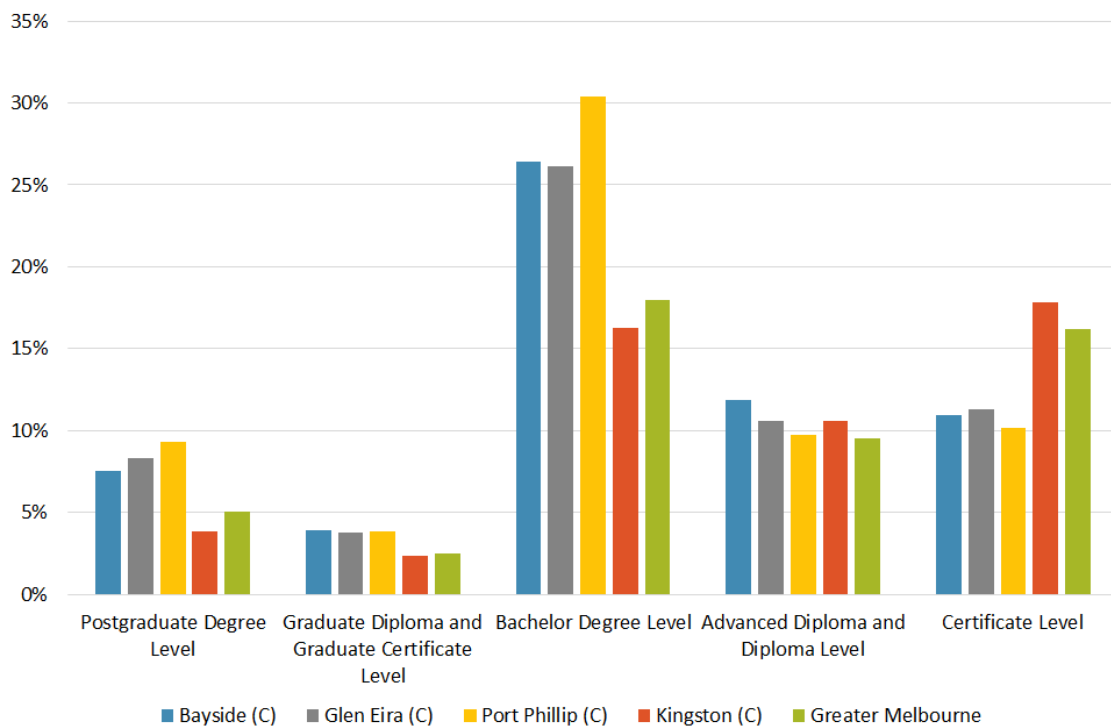
Source: SGS Economics and Planning

Figure 19 focuses on the skillsets of the Bayside workforce. It shows that Bayside residents are more likely to possess a University qualification than the Metropolitan average. Postgraduate and Undergraduate degrees tend to be important for entry into the professional services and health services, so employment opportunities in those industries are of great benefit to many of Bayside's residents. As Figure 20 then demonstrates, a greater proportion of Bayside's residents are employed in the professional services or financial services than the Metropolitan Melbourne average.

It is also worth noting that many local residents are employed in population serving jobs including in retail, education and healthcare/social assistance. These jobs are often located in Activity Centres.

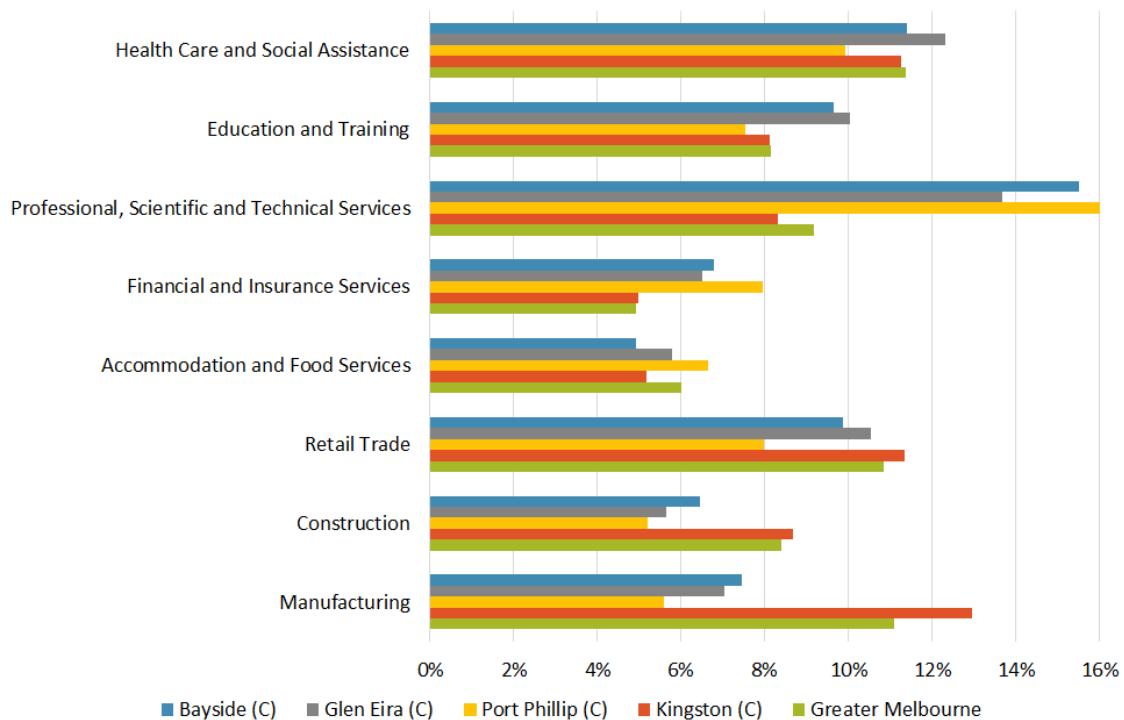
Construction and manufacturing employment is less significant for Bayside's local workforce.

FIGURE 19 RESIDENT QUALIFICATIONS, 2011



Source: ABS Census

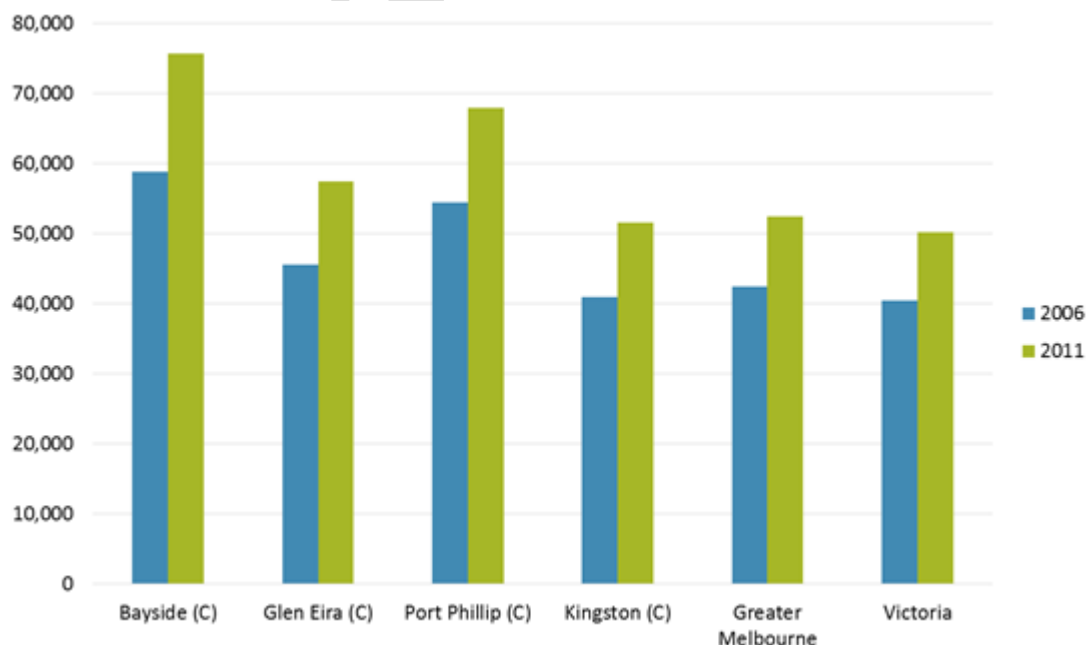
FIGURE 20 RESIDENT INDUSTRY OF EMPLOYMENT, 2011



Source: ABS Census

Bayside City Council is home to some of the most affluent households in Metropolitan Melbourne. Figure 21 shows that average resident income is particularly high in the Bayside City Council when compared against other municipalities in the region, and has also increased - relative to neighbouring municipalities - between the last two census periods. This suggests a higher level of disposable income is present in the local economy that is available for discretionary spending (provided that local retailers are able to capitalise).

FIGURE 21 AVERAGE PERSONAL INCOME - ANNUAL, 2011



Source: ABS Census

6 PROFILING BAYSIDE

This section profiles Bayside's retail and employment role in an economic and spatial context. It defines the individual characteristics and key strengths of Bayside's Activity Centres and employment precincts. This level of understanding in turn identifies opportunities which can be leveraged into the future.

6.1 Strategic context

Bayside's location within the metropolis, its relationship to some key employment nodes and proximity to institutional assets drive the nature of employment growth across the municipality. These elements present major opportunities which should be recognised and capitalised upon in local planning policy.

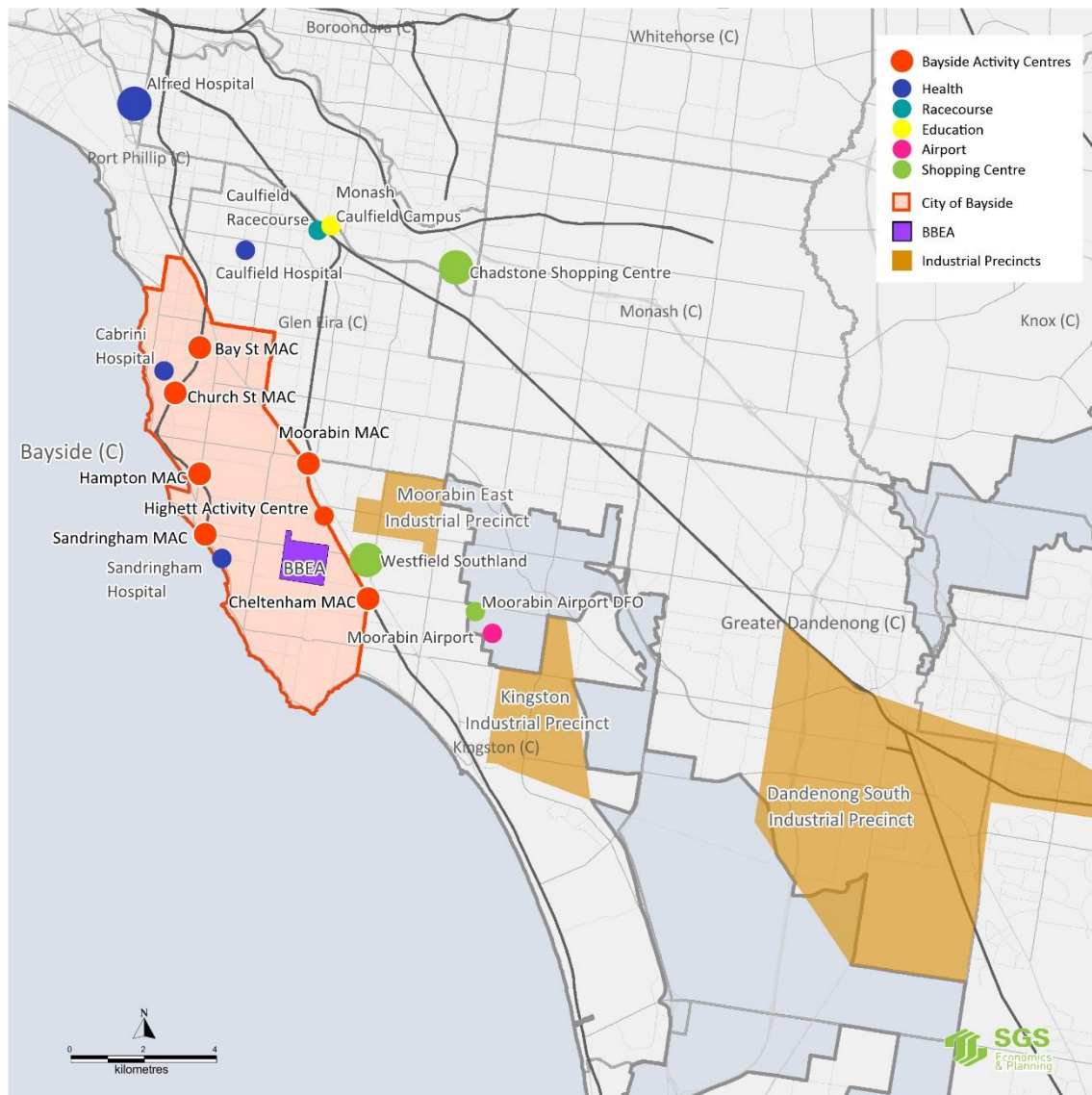
Regional spatial context

The suburbs of Bayside are collectively positioned 10 to 20 kilometres south of Central Melbourne. A number of major arterials connect Bayside to other suburbs to the south and east, whilst Sandringham Railway Line and the Nepean Highway provide access to the Melbourne CBD. Cumulatively, this all generates a reasonable level of accessibility for Bayside residents and businesses. The middle-suburban location allows the people of Bayside to leverage off a range of key nodes around the region.

Large employment precincts and Activity Centres represent those key nodes in the regional economy. Aligned business activities often interact with these major nodes and gain significant economic advantages by doing so. Understanding these local and regional relationships is important to maximising employment growth opportunities in the City of Bayside. Private sector developers also understand this and seek to leverage off these established nodes to focus development potential.

Figure 22 presents a selection of major employment nodes and assets that influence Bayside's future economic trajectory. They can broadly be grouped into three distinct categories – Activity Centres, Employment Precincts and Health and Education. Only those centres, precincts and institutions that present a critical mass of activity with the potential to influence a broad catchment have been presented (i.e. schools and Neighbourhood Activity Centres have not been highlighted – although some of these are still significant employment locations).

FIGURE 22 KEY INSTITUTIONS, ASSETS AND CENTRES



Source: SGS Economics and Planning based from a range of council and public datasets.

The southern end of the municipality has some important connections to employment precincts in the Cities of Kingston and Greater Dandenong. This provides businesses in the Bayside Business and Employment Area with important access to a large pool of manufacturing and logistics businesses in their relative supply chains.

The northern half of the municipality has strong links to a number of hospitals. Given the anticipated growth in demand for health sector business and employment activities, Activity Centres in Northern Bayside are well positioned to leverage off these health institutions and accommodate a greater range and depth of medical specialists and practitioners. Medical professionals' place of work is also closely tied to their place of residence. The City of Bayside offers some of the most attractive housing locations in Metropolitan Melbourne, and is therefore well positioned to attract a substantial share of health professionals over the next few decades.

An important shaping factor of Bayside's retail precincts has been the heavy rail network. Most of Bayside's Activity Centres are located at or near major railway stations. These stations not only provide important access to employment opportunities elsewhere in the metropolis, but they also help to concentrate foot traffic and retail expenditure for their respective Activity Centres and the traders within those Activity Centres.

This is an important element to the evolution and growth of those Activity Centres, as specialty shops generally trade better when Activity Centre visitors arrive by train or foot – whereas major anchors possess the financial clout to invest in large carparks, which in turn they can specifically design to ensure foot traffic is funnelled into their large franchised stores. The presence of the rail network also helps to alleviate some of the private motor vehicle and car parking demands which are placed on these Activity Centres.

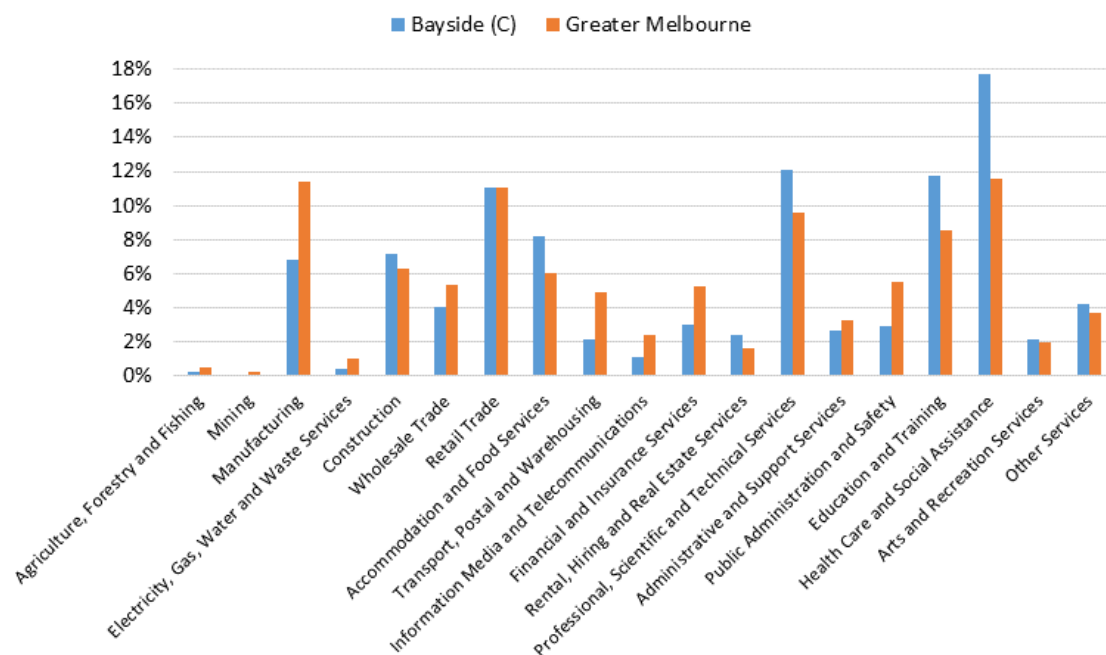
6.2 Profiling employment and businesses

Employment is one of the central purposes of this study, with Bayside seeking to refine its planning policy to support employment growth in the municipality. However, all employment is not the same; different types have dramatically different land use requirements and drivers that underpin their development. Broad structural changes in our economy also strongly influence local employment growth. The following sub-section analyses recent employment trends across Bayside. It draws on ABS Census employment data by travel zone which SGS has aligned over Census periods and adjusted for undercounts.

Overall trends for Bayside

Employment share by industry type for Bayside compared against the Melbourne average is presented in Figure 23. Broadly it has a notable over representation of many of the population serving sectors including health care, education and hospitality (accommodation and food services). Retail employment, whilst similar to the metropolitan average, is relatively strong given the presence of some significant retail centres just beyond the municipality's borders (such as Southland).

FIGURE 23 2011 EMPLOYMENT SHARE BY INDUSTRY, BAYSIDE VS GREATER MELBOURNE



Source: SGS derived from ABS Census and other public datasets

Spatial distribution

The structural changes in employment detailed so far in this report have profound implications on the spatial distribution of employment across the municipality. Understanding how these changes manifest at a local level is critical when planning the future of employment uses across the municipality.

Detailed employment statistics are not available for individual precincts across Bayside. However, SGS has aligned historical ABS Census data and addressed various undercount issues, to create a small area (travel zone) based estimate of employment. The following five maps (Figures 25 to 29) present the change in employment by industry sector over the last five years. Detailed industry classifications have been aggregated into four groups. These groupings broadly align with land uses and are detailed in the table below.

FIGURE 24 EMPLOYMENT GENERAL CONCORDANCE

Broad industry category	ANZSIC 2006 industry classification
Commercial	Information Media and Telecommunications, Financial and Insurance Services, Rental, Hiring and Real Estate Services, Professional, Scientific and Technical Services, Administrative and Support Services, Public Administration and Safety
Retail	Retail Trade, Accommodation and Food Services, Arts and Recreation Services, Other Services
Institutional	Education, Health Care and Social Assistance
Industrial	Agriculture, Forestry and Fishing, Mining, Manufacturing, Electricity, Gas, Water and Waste Services, Wholesale Trade, Transport Postal and Warehousing

Source: City of Yarra Rates Database, ABS ANZSIC Industry Classifications, SGS

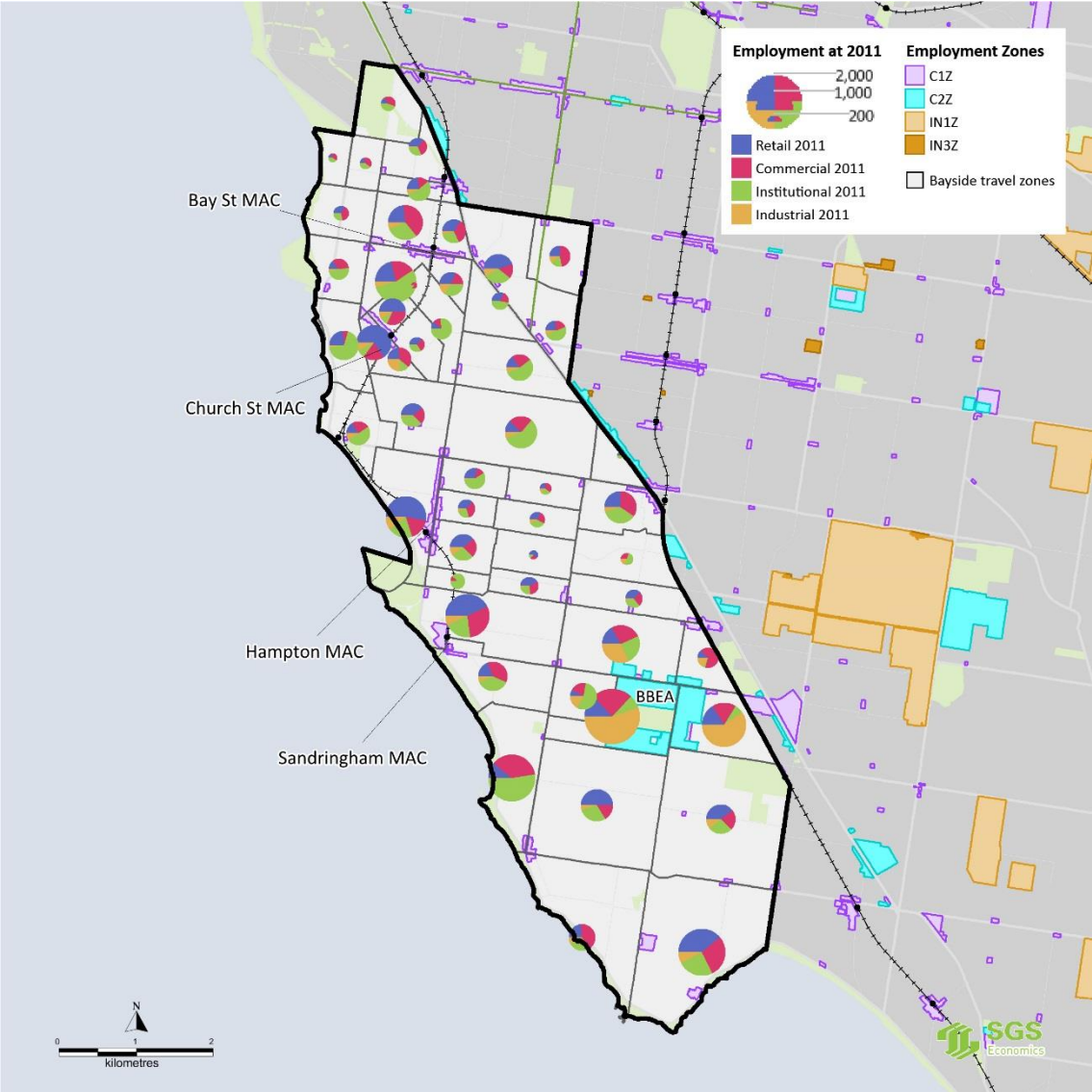
Figure 25 presents employment at 2011 by broad industry. The size of the dot represents the amount of employment with the segments representing the industry composition. From this map it can be seen that much of the employment is focused in Travel Zones around the BBEA and the four Major Activity Centres.

It is clear that the BBEA is the most significant provider of employment opportunities – particularly for non-retail jobs. Much of the employment in the BBEA is of an industrial nature. This is discussed further in Section 6.3.

An important feature to observe for the Major Activity Centres is the volume of non-retail employment in the travel zones which align to those centres. In particular, Bay Street MAC and Sandringham MAC would appear to accommodate significant levels of commercial and institutional employment. Church Street MAC and Hampton MAC contain higher levels of retail employment, although even in those cases over a quarter of jobs are commercial or institutional. Similar trends can be observed for the Beaumaris and Black Rock Activity Centres.

These numbers must however be contextualised by the fact that the travel zone geographies extend beyond the boundaries of the Activity Centres themselves. There are a number of schools, hospitals and other community facilities which although not located within Activity Centres, are often within close proximity (Cabrini Hospital near Church Street, Firkbank Grammar School near Bay Street, for instance). These institutions are significant employers within Bayside, with health and education a significant economic exporter for the local economy.

FIGURE 25 EMPLOYMENT DISTRIBUTION BY CATEGORY



Source: ABS Census, SGS concordance

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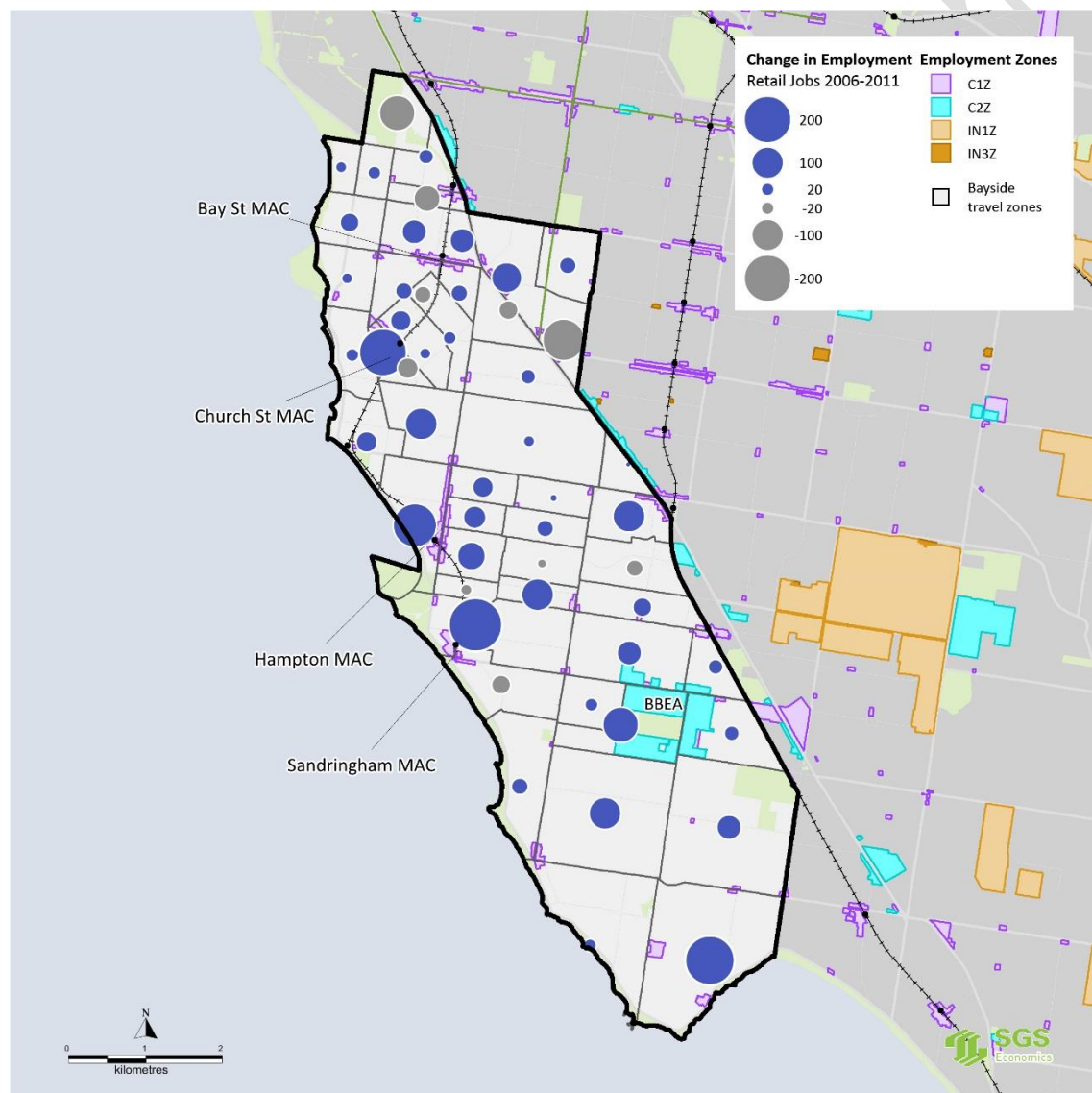
Selected industry breakdown

Figures 26 to 29 provide industry breakdowns of the change in employment levels across the City of Bayside.

Retail employment (Figure 26) has grown in most locations across the municipality. There has been gradual growth in the BBEA – mostly of a household goods (bulky retail) nature. New supermarkets in Bay Street and Highett have also brought moderate growth.

This is quite a positive outcome given that growth in the retail industry as a whole has been relatively subdued across Victoria since the 2008 Global Financial Crisis. As economy eventually begins to recover over the next decade, this trend in retail employment growth should continue.

FIGURE 26 CHANGE IN RETAIL EMPLOYMENT ACROSS BAYSIDE 2006-2011



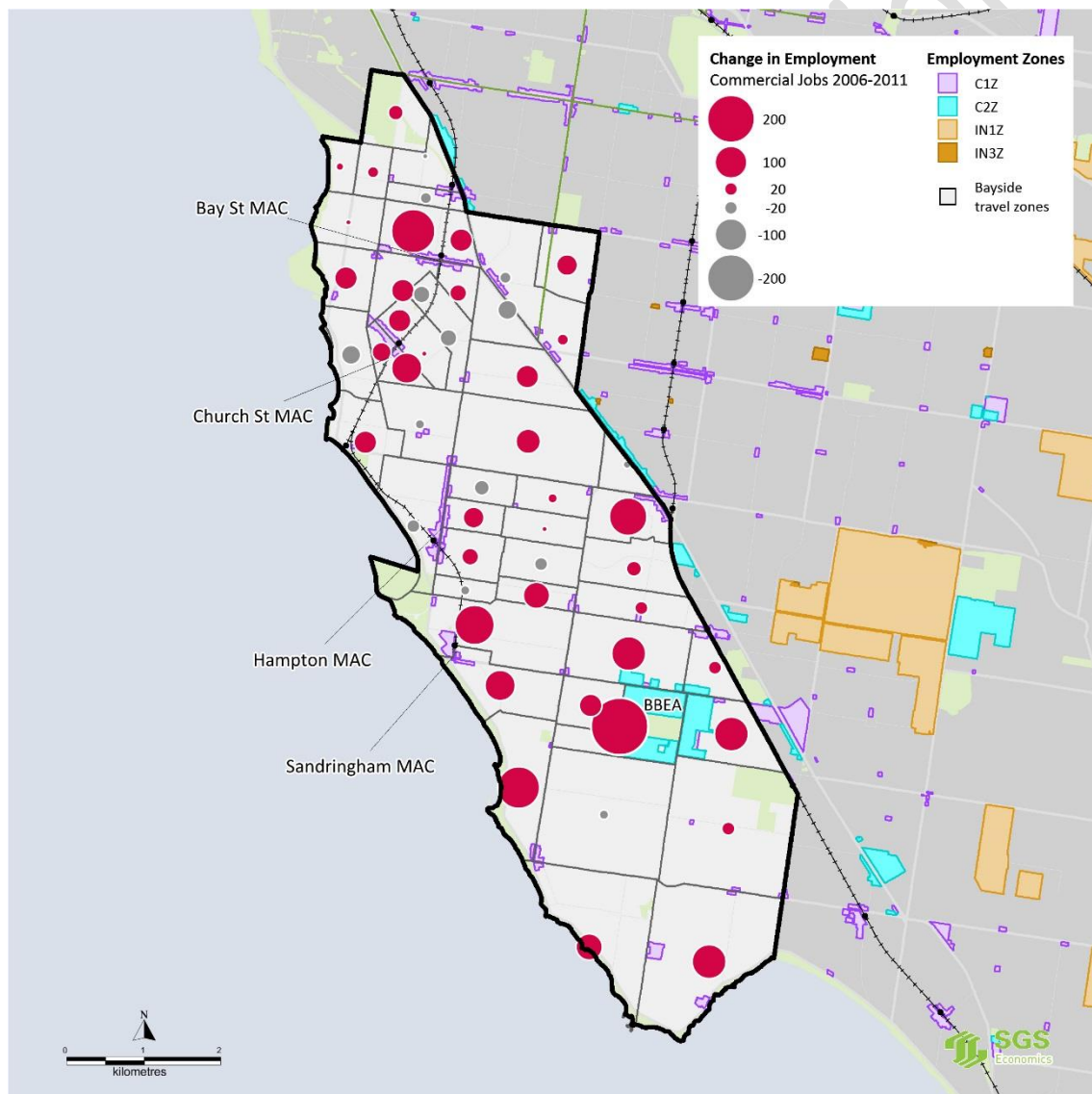
Source: SGS using ABS Census and other dataset

Commercial employment (Figure 27) has grown strongly in many parts of Bayside since 2006 – particularly in the BBEA (the types of industries present in the BBEA is discussed in further detail in Section 6.3). Church Street, Bay Street and Sandringham MAC have also accommodated strong levels of commercial employment growth over this period.

The majority of commercial employment growth in Activity Centres is attributed to population serving functions including real estate, accounting, legal services, banking and financial advisory. Many of these businesses may require shopfronts to be successful in a suburban context, but typically do not have any associated commodity trade flows and are therefore not considered as retailing.

Commercial employment in the BBEA on the other hand is similar to the existing industrial businesses in the sense that many are of a Business to Business nature, and serve a purpose within the region's economic supply chain.

FIGURE 27 CHANGE IN COMMERCIAL EMPLOYMENT ACROSS BAYSIDE 2006-2011

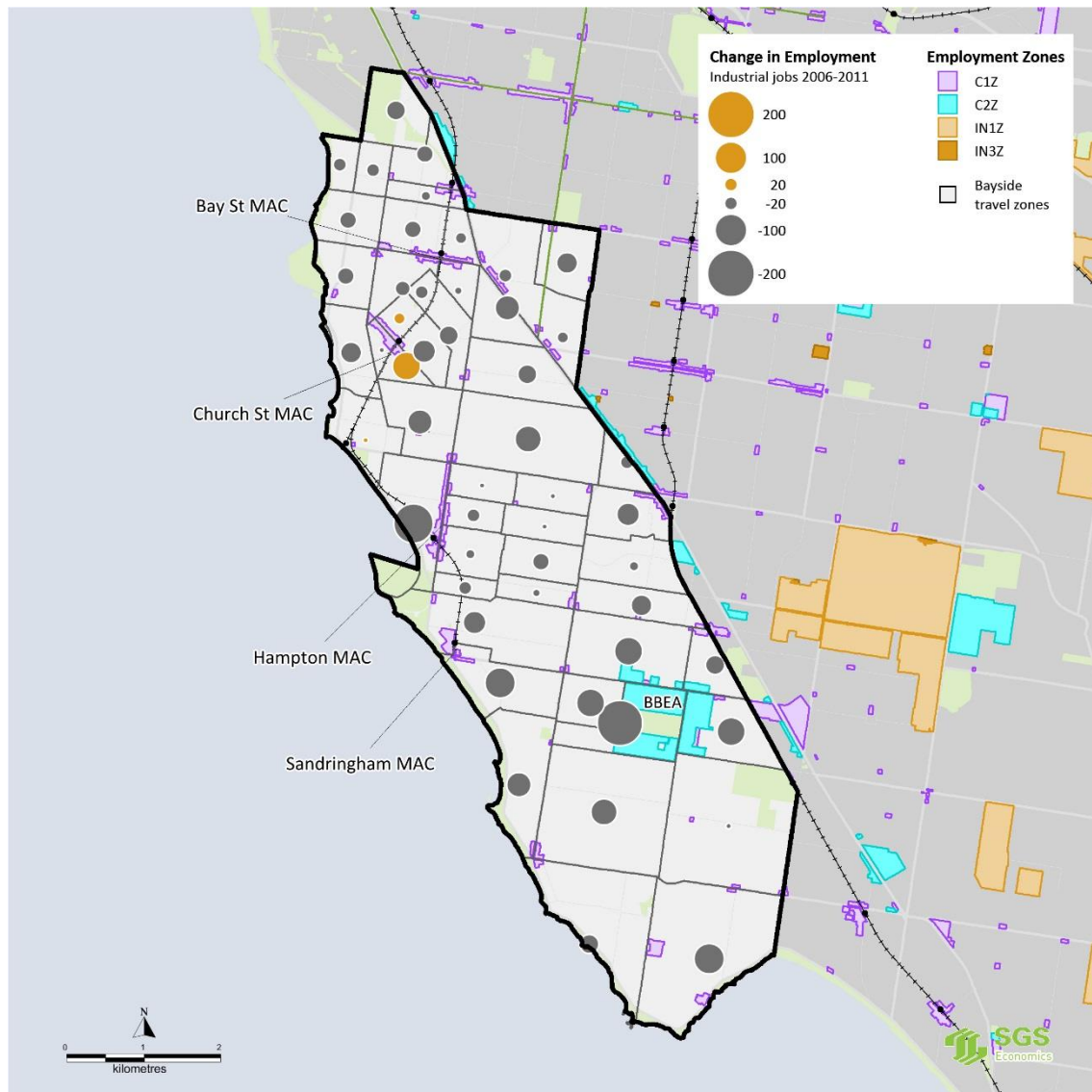


Source: SGS using ABS Census and other dataset

Figure 28 focuses on industrial employment. The major trend to be observed here is that the significant increases in retail and commercial (and institutional) employment in the BBEA has occurred whilst there has been a loss of industrial employment in the precinct over the same period.

Employment fluctuations in the other locations are likely to consist of home or office based businesses which operate in the industrial sector. Such businesses can often be linked to industrial precincts in the nearby BBEA or in other industrial areas in the City of Kingston, with business owners preferring to locate their offices at or near home. More recently however, it has become increasingly common for such offices to be located on the same precinct or site as their respective industrial operations.

FIGURE 28 CHANGE IN INDUSTRIAL EMPLOYMENT ACROSS BAYSIDE 2006-2011



Source: SGS using ABS Census and other dataset

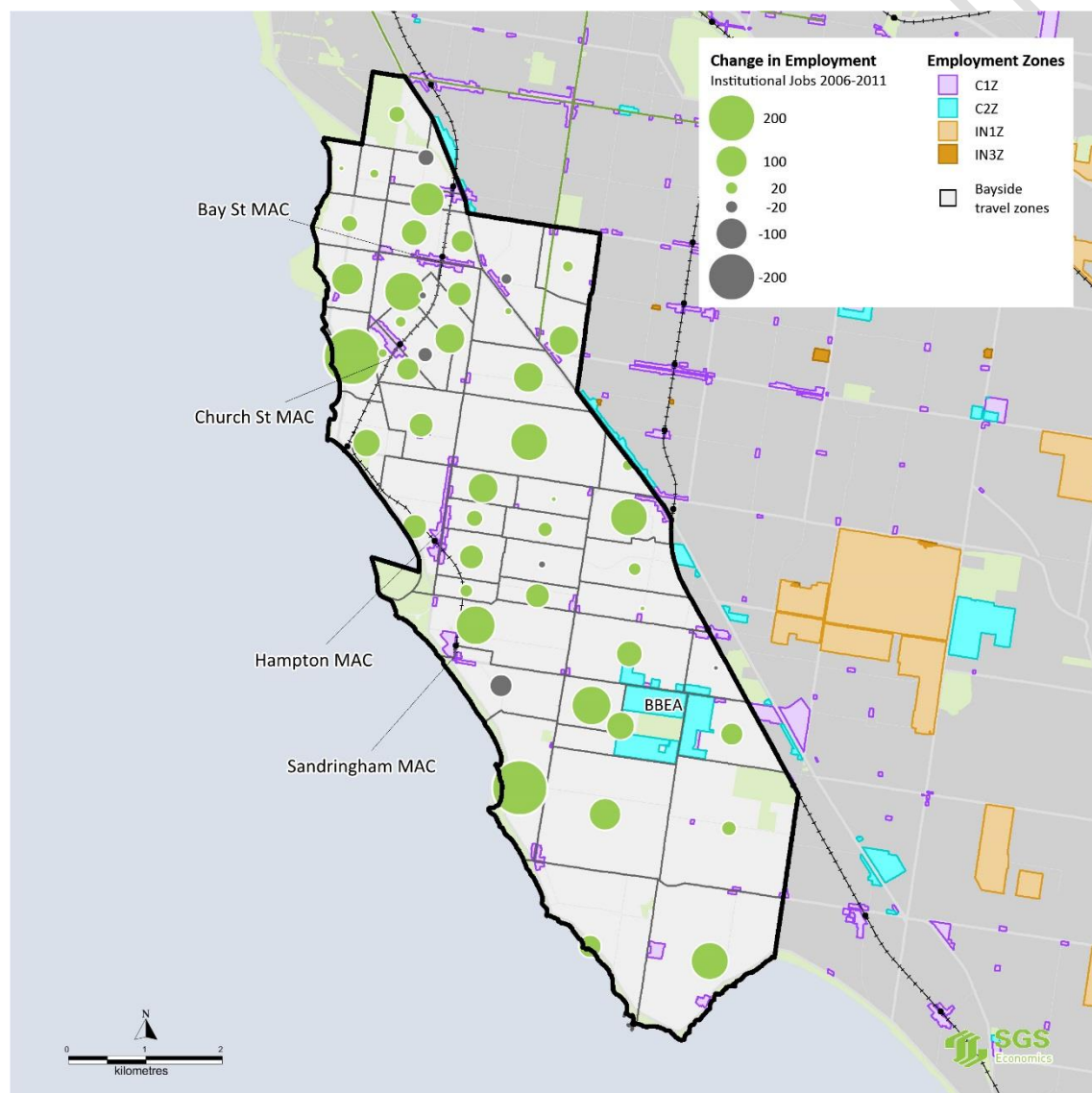
Institutional employment has been the most significant source of jobs growth in Bayside. Whilst this has occurred across many parts of the municipality, there are some notable location trends.

Firstly, the travel zones which contain the Cabrini and Sandringham Hospitals have generated around 300 new jobs (combined) since 2006. This highlights the significance of those facilities.

Secondly, the BBEA has also accommodated some significant employment growth. This is likely to be linked to the aged care facilities which have sprung up in and around the precinct.

It is also important to note that the location of this type of employment is generally not correlated with Activity Centres or specific employment precincts. As a result we also observe a general dispersal of jobs across residential areas. This is particularly common for health jobs.

FIGURE 29 CHANGE IN INSTITUTIONAL EMPLOYMENT ACROSS BAYSIDE 2006-2011



Source: SGS using ABS Census and other dataset

6.3 Projected employment growth

Broader trends for employment

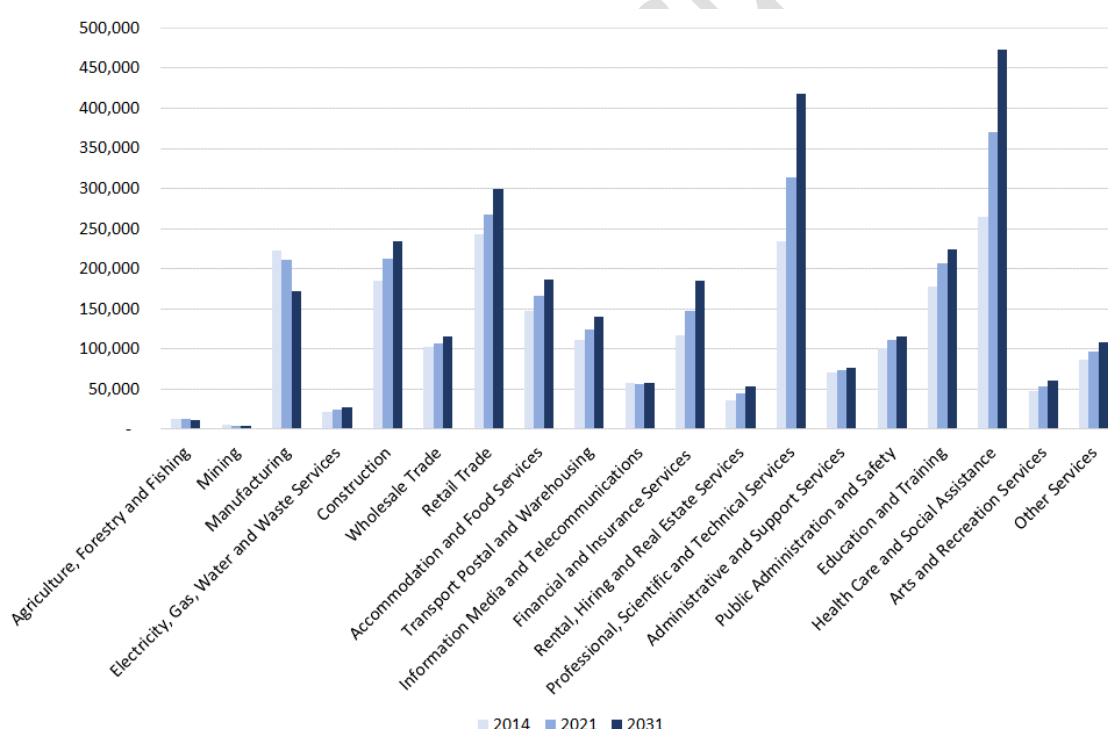
There are some significant macro trends that will continue to influence the employment and economic profile of Melbourne. These have been broadly discussed in Section 2 and are captured in SGS employment forecasts for metropolitan Melbourne and Bayside City Council.

SGS metropolitan level employment forecasts draw on official Australian Treasury macroeconomic modelling along with a number of official Victorian and regional level employment, economic output and population datasets from ABS and state departments. Analysis of structural economic changes, subsector economic drivers and labour force composition are also factored into the analysis.

Figure 30 below presents projected employment growth by industry. This highlights the significant restructure that the Melbourne economy has and will continue to undergo.

As discussed in Section 2 Health Care and Professional Services will represent the two strongest employment growth sectors of the future economy. Manufacturing will remain relatively stable in terms of economic output. However, as it evolves structurally it will continue to decline in terms of the number of employees. Population serving sectors such as retail, education and construction will maintain their share of employment.

FIGURE 30 EMPLOYMENT PROJECTIONS ACROSS METROPOLITAN MELBOURNE



Source: SGS Economics and Planning

Bayside's projected employment

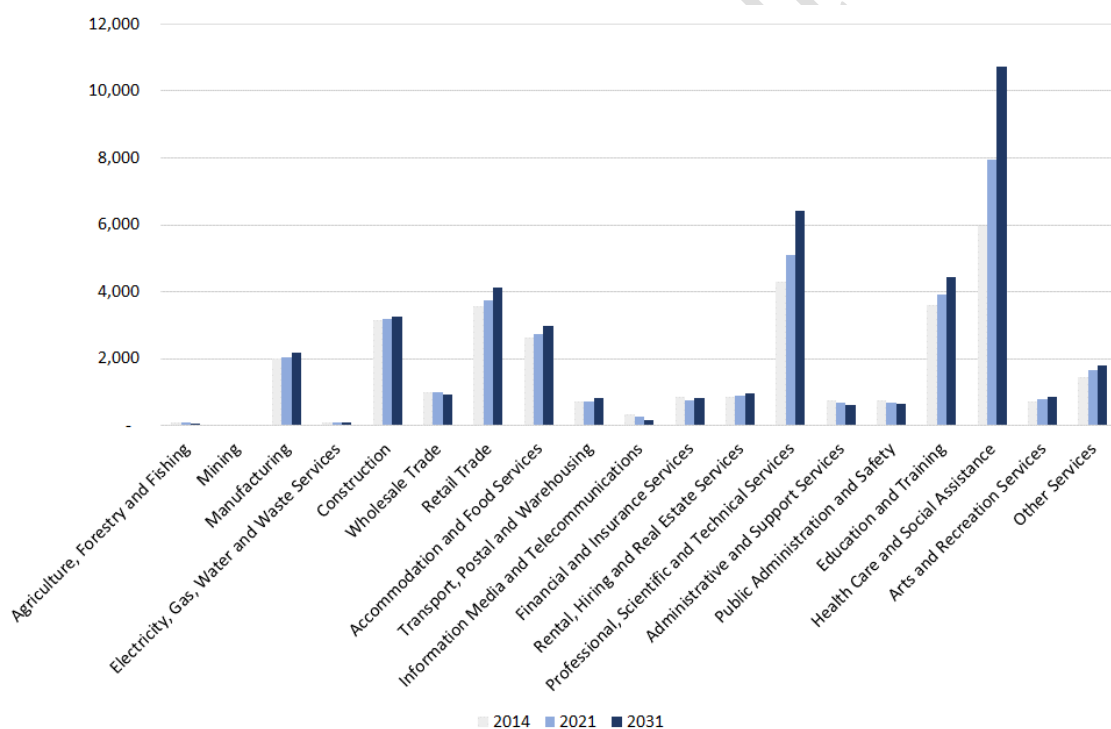
From the broad metropolitan context the following projections present the level of economic demand which is likely to materialise in Bayside City Council and depend on good policy, sufficient supply conditions and investments. The challenge for Council will be to find the means by which to accommodate the expected level of employment growth.

While significant employment growth can present a number of challenges to the community it can also provide real benefits for the local residents. The challenges are often felt first and can be most obvious – development/design conflicts (particularly around Activity Centres) along with increased demand for transport and other services. These need to be recognised and managed. However, the benefits are significant and long lasting to the local residents. Strong employment essentially enables a rich diversity of services and opportunities well in excess of what the local resident population could support.

For example, strong employment growth supports the retail and hospitality sector directly through increased demand (i.e. workers spending money) which is often at different times to residents/visitors – this is important to the growth aspirations of Activity Centres in the future. It also supports it indirectly through supply chain linkages and knowledge exchanges – such as a local home based designer inputs into a local furniture manufacturer in the BBEA who sells in a boutique local furniture store in Hampton MAC. Local residents get the benefit of this higher quality tailored retail offer. They also gain employment opportunities directly (i.e. becoming an employee) and indirectly (i.e. clients/ collaborators).

Employment levels are expected to incrementally grow across most industries in Bayside City Council in the future, with the exception being in the Health Care and Social Assistance industry. The level of growth expected in that industry is commensurate to what is expected across Metropolitan Melbourne.

FIGURE 31 EMPLOYMENT PROJECTIONS ACROSS THE CITY OF BAYSIDE



Source: SGS Economics and Planning

6.4 Dispersed employment

The remainder of this report focuses on individual employment precincts and Activity Centres. Whilst most of Bayside's retail, commercial and industrial activity is concentrated in these locations, it is important to account for the proportion of activities which are dispersed across Bayside in other areas including in small Activity Centres and residential lands.

Figure 32 below presents the quantum of commercial sector activities which are dispersed beyond the key Activity Centres and the BBEA. The 2014 figure represents the current status quo, whilst the 2031 figure assume that Council is able to expand floorspace supply in the key Activity Centres and the BBEA as recommended in subsequent Sections 7 and 8 of this report. Dispersed commercial floorspace is predominantly home based offices, although some may also establish in smaller centres or out of centre.

FIGURE 32 DISPERSED COMMERCIAL FLOORSPACE

Location	2014	2031	2014-31
In key Activity Centres	48,511	56,600	8,089
In the BBEA	66,929	90,411	23,482
Dispersed (estimate)	81,090	94,027	12,937
Total Sector Floorspace Demand	196,530	241,038	44,508

Source: SGS Economics and Planning

Figure 33 then focuses on retailing. As it is unclear how more bulky retail floorspace can be accommodated within the BBEA, we have assumed that supply there remains constant. Dispersed retail floorspace is naturally lower than dispersed commercial floorspace because retail requires a critical mass of foot traffic to succeed. An Activity Centre location is therefore particularly important in the suburban context. The dispersed retail floorspace would mostly be located in smaller centres.

FIGURE 33 DISPERSED RETAIL FLOORSPACE

Location	2014	2031	2014-31
In key Activity Centres	124,975	168,300	43,325
In the BBEA	36,717	36,717	-
Dispersed (estimate)	30,028	35,313	5,285
Total Sector Floorspace Demand	191,720	240,330	48,610

Source: SGS Economics and Planning

7 BAYSIDE BUSINESS EMPLOYMENT AREA

This section profiles the Bayside Business Employment Area and analyses the composition of activities within the employment precinct. It then discusses the future of the precinct, canvassing options for potential interventions to improve the prospects of the area.

7.1 Profile

There are two methods of profiling land use in employment precincts.

The first method involves categorising land use based on the industries which the economic activities belong to. The industry standard classification is the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC).

The second method of land use categorisation employs Broad Land Use (BLC) category. BLC describes the nature of the use, which is of particular interest for urban planning. It also classifies important information about the nature and use of buildings, as buildings belonging to one BLC can typically be re-used by other economic activities of the same BLC. This provides an indication of the extent to which redevelopment is required for the precinct to undergo a change in role. For instance, office buildings can be used by a range of industries including professional services, artists and communications businesses.

Figure 34 below defines the land uses in the Bayside Business Employment Area (BBEA) by Broad Land Use (BLC) category. This is spatially represented in Figure 35. It shows that manufacturing uses are by far the most common in the precinct, with warehouses, bulky retail and offices also prevalent.

A vacancy rate of 5% to 10% is not only low, but should also be considered healthy in an industrial/employment precinct. This is because some vacancy helps facilitate the constant entry of new businesses without the need for significant redevelopment, the loss of existing businesses or (as is often the case) both. In the long term, uninhibited attraction of new businesses is the key to ensuring that an employment precinct evolves as the economy changes and in doing so, remains competitive.

Further detail was sought on the composition of manufacturing floorspace in the BBEA. Figure 36 presents the results of a secondary audit. Whilst the audit was unable to further define (nfd) approximately half of the manufacturing floorspace, the remainder of the data can effectively be used as a representative sample (of 48%) of the total manufacturing floorspace presence in the BBEA.

It can be observed that there is a diversity of manufacturing industries, with most 2-digit level categories of manufacturing represented in some form within the BBEA. The general observation here is that the more prevalent industries in the BBEA (beverages, basic chemicals⁵ and furniture) are manufacturing consumer related products.

⁵ This category includes pharmaceutical, fertiliser and cleaning compounds.

FIGURE 34 BBEA BROAD LAND USES BY BROAD LAND USE CATEGORY

Land Use	Floorspace (sqm)	Proportion
Manufacturing	116,727	28.9%
Office	66,929	16.6%
Warehouse/Wholesale	56,126	13.9%
Large Format (Bulky) Retail	43,622	10.8%
Vacant	32,044	7.9%
Residential	24,770	6.1%
Service Industry	21,649	5.4%
Construction	16,893	4.2%
Leisure and Recreation	15,834	3.9%
Community Services	8,649	2.1%
Car Park	312	0.1%
Transport and storage	295	0.1%
Total	403,850	100.0%

Source: SGS analysis of Bayside City Council 2015 Land use audit

FIGURE 35 BBEA BROAD LAND USES BY BROAD LAND USE CATEGORY

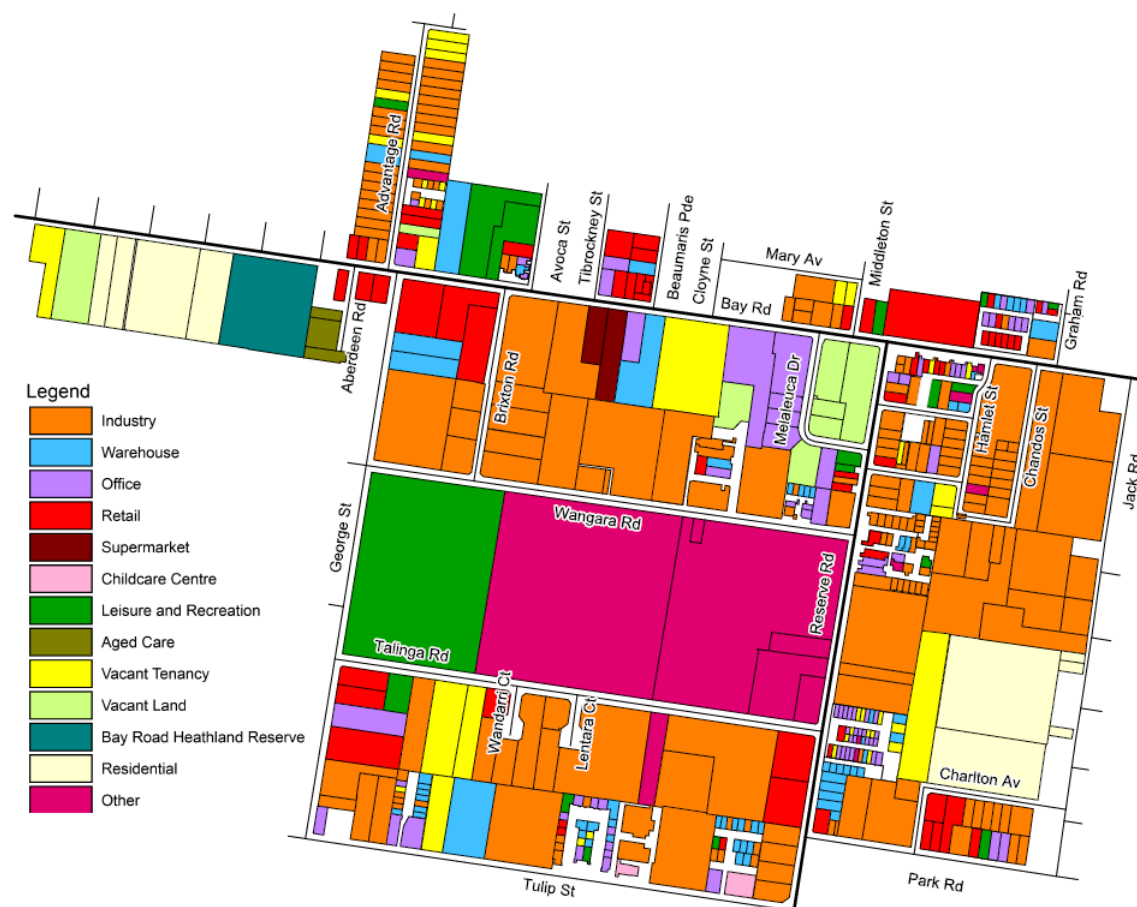


FIGURE 36 BBEA MANUFACTURING ACTIVITIES BY 2-DIGIT ANZSIC CATEGORIES

Manufacturing activity (2-digit ANZSIC)	Floorspace (sqm)	Proportion	Proportion (excl. nfd)
Manufacturing (nfd)	60,882	52.2%	
Beverage and Tobacco Product Manufacturing	11,437	9.8%	20.5%
Basic Chemical and Chemical Product Manufacturing	9,993	8.6%	17.9%
Furniture and Other Manufacturing	8,434	7.2%	15.1%
Wooden Structural Component Manufacturing	5,250	4.5%	9.4%
Printing (including the Reproduction of Recorded Media)	5,174	4.4%	9.3%
Machinery and Equipment Manufacturing	5,164	4.4%	9.2%
Polymer Product and Rubber Product Manufacturing	4,923	4.2%	8.8%
Fabricated Metal Product Manufacturing	3,229	2.8%	5.8%
Non-Metallic Mineral Product Manufacturing	1,593	1.3%	2.9%
Textile, Leather, Clothing and Footwear Manufacturing	647	0.6%	1.2%
Total Manufacturing	116,727	100.0%	

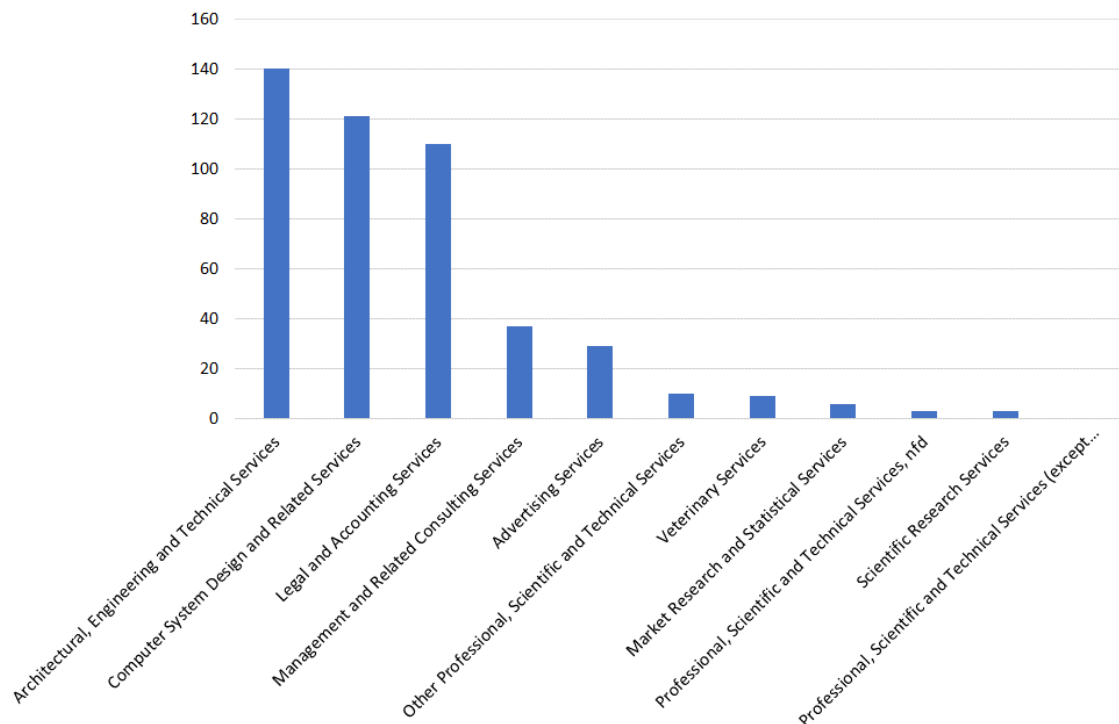
Source: SGS analysis of Bayside City Council 2015 Land use audit

The strong growth in commercial employment identified in Figure 27 suggests there are some significant professional services activities developing in the BBEA. In the absence of more detailed audits of offices, Figure 37 presents employment data by the 3-digit ANZSIC industries for the Statistical Area of the BBEA from the 2011 ABS Census. It shows that office floorspace is predominantly occupied by Architectural, Engineering and Technical Services, Computer System Design and Legal and Accounting Services. These three industries alone combine for over 350 jobs in the BBEA.

In the suburban context, all three of these industries depend heavily on demand generated by business and population growth for commercial and residential projects respectively. That said, the direct clients of these businesses tend to be other businesses – even if the end product/service might ultimately serve consumers.

Future growth in these sectors will likely be commensurate to overall population and employment growth across the broader sub-region. Section 7 provides the employment projections to 2031.

FIGURE 37 BBEA PROFESSIONAL SERVICES EMPLOYMENT BY 3-DIGIT ANZSIC CATEGORIES



Source: ABS Census 2011

7.2 The future of the Bayside Business Employment Area

The strategic positioning of the BBEA

Based on the broader economic trends explored in Section 2 and the characteristics of the BBEA discussed in Section 6, it is possible to assess the strategic positioning of the precinct in a wider context. This section analyses the key strengths, weaknesses, opportunities and threats facing the BBEA's role as an employment generator in the future.

Strengths

A highly qualified local skills base – As highlighted in Section 5, Bayside possesses one of the most highly qualified workforces in the Victorian economy. Combined with an increasing attractiveness as a residential location, businesses that elect to locate in the BBEA are well positioned to attract the most talented and skilled employees in the economy.

Site specific characteristics – The BBEA now possesses a variety of lot sizes including some large sites which are opportunities for accommodating larger institutions and/or redevelopments. Given the distance from Central Melbourne (approximately 15km) and mix of activities currently in the precinct, the surrounding area's amenity is also quite strong, although amenity within the precinct itself could be improved by ensuring more consistent standard and greater continuity of appearance.

Weaknesses

Average access to ports – a significant disadvantage to the BBEA's prospects as an employment hub is relatively average levels of access to ports. Dandenong South employment precinct is much closer to the

Port of Hastings and Toolern is in close proximity to Tullamarine Airport. Those precincts also possess strong access to a number of freeways (Eastlink, Monash, Western), whilst the BBEA must primarily rely on access to the Nepean Highway.

CBD-based agglomeration - The benefits of agglomeration in knowledge-based industries due to face-to-face contact and information sharing are well known. These benefits have seen the CBD of Melbourne become the primary centre of Finance and Insurance, and Property and Business Services Industries. As firms continue to seek benefits of agglomeration in increasingly competitive economic environments, middle and outer suburban precincts continue to be less attractive as a business location. On the other hand however, technology and industry clusters can help to create different agglomeration benefits within the BBEA, thus attracting key knowledge based industries.

Opportunities

The growth of the online retail sector⁶ – The continued growth of online retail in Australia is generating significant demand for low cost employment floorspace which is located in close proximity to residential markets. The BBEA is well positioned near the geographic centre of Metropolitan Melbourne, particularly in regards to the more affluent residential suburbs where per capita retail expenditure is higher. As a result the BBEA is already host to a number of large warehouses, logistics hubs and bulky retail stores (which tend to combine store and online sales through ‘multi-channelling’).

An emerging advanced manufacturing sector – Advanced manufacturing has been identified by numerous research and public agencies as the future of production in Australia. It leverages the country’s key strengths in a well-educated workforce and a strong professional services sector. Bayside possesses these exact same strengths - particularly in its workforce. And whilst it Bayside not possess the same scale and diversity of professional services as the central city, the BBEA does nonetheless offer one of the larger employment precincts within the inner and middle rings of Melbourne. Advanced manufacturing also offers a greater density of employment opportunities per sqm than the wholesale/bulky retail sector described above.

Threats

Decline of surrounding employment precincts – The decline of manufacturing across the Australian economy has been well documented. Some precincts within the region have been amongst the most significantly affected. These include the Moorabbin East industrial areas in Kingston, which had traditionally specialised in textiles and garments. Nonetheless Dandenong South has been more resilient, with a stronger focus on engineering and advanced manufacturing. The BBEA should therefore look to develop stronger links to that precinct.

Competitive overseas markets - Competitive manufacturing conditions in overseas markets and fluctuations in the Australian dollar continue to generate uncertainty and difficult trading conditions in this sector. The continued rise of China and India as hubs of low cost manufacturing highlights the importance of drawing more knowledge intensive and/or advanced manufacturing into the BBEA for long term economic sustainability.

Business as usual projections

A ‘*Business as usual*’ scenario essentially represents a compromise between an aspirational scenario and a pure trend based scenario. It is often referred to as a ‘policy evolution’ scenario as it largely relies on established trends but does capture to some degree the effect of policy shifts and planned land release/renewal sites/infrastructure projects. The full realisation of these shifts are not intended to be captured in this type of scenario.

⁶ <https://www.insideretail.com.au/blog/2015/09/18/online-retailers-to-take-over-industrial-space/>

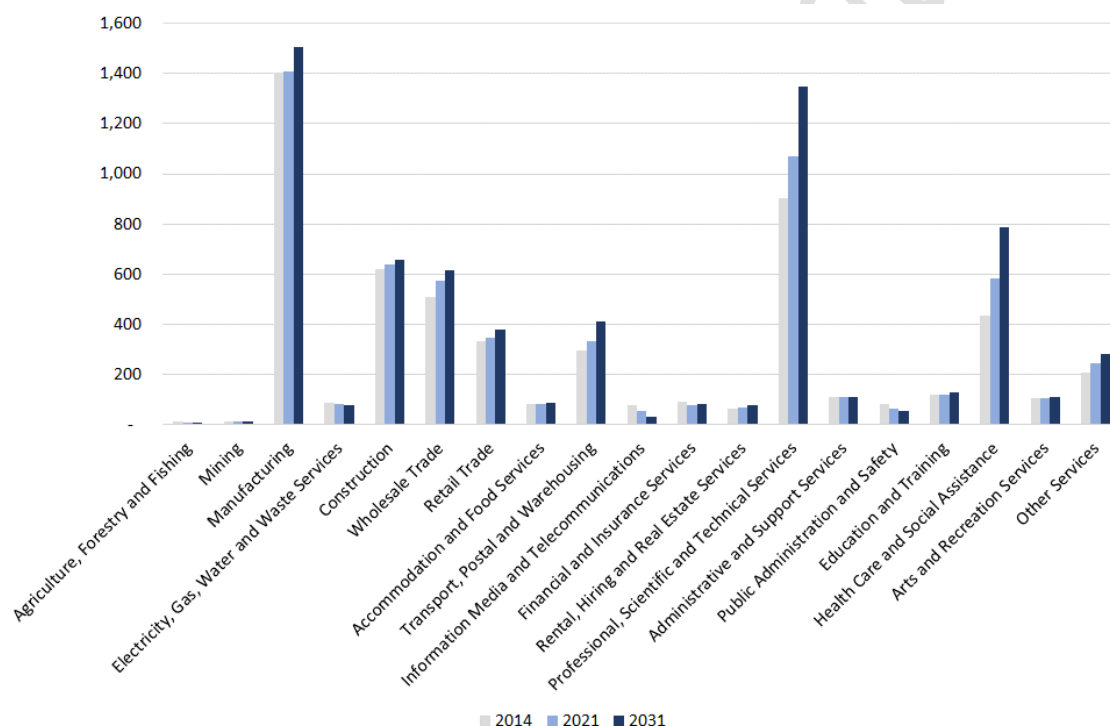
It assumes that the BBEA will continue to grow in line with broader macro-economic trends and that appropriate investments (in transport and other social infrastructure) will be made in the future to ensure that the projected employment patterns can be realised.

In effect, this scenario assumes that:

- Total employment (structure) will grow in line with recent trends and based on information currently available.
- The distribution of growth will largely follow recent trends along with known future development opportunities.

Where there is an existing pattern, these trends will be more fully realised. To that end, an ageing population will see increased demand for employment health care and social assistance – some which can be expected to be provided for in the BBEA. The continued growth in online retail will also support increased demand for wholesale and warehousing floorspace – although this does not generate significant levels of employment.

FIGURE 38 BBEA EMPLOYMENT FORECASTS – BUSINESS AS USUAL SCENARIO



Source: SGS Economics and Planning 2015

Options to evolve the BBEA

One approach to devising options based employment scenarios would be to anchor employment outcomes off varying degrees of employment self-sufficiency targets. Under this self-sufficiency approach, the base case (business as usual) mix of employment is commonly held steady in estimating different levels of overall employment and employment self-sufficiency. So as the number of jobs increases for various scenarios, the composition of employment by industry remains unchanged.

SGS elects to analyse options on the basis of generating alternative scenarios using different plausible future industry mixes. The main advantage of an industry mix approach is that it is more grounded in the market realities of what quantum and combination of land uses is likely to be attracted to an area.

For instance, a residential redevelopment scenario is likely to not only result in less employment than the advanced manufacturing scenario; more residents would also mean more demand retail consumption and community infrastructure. So whilst an advanced manufacturing scenario is likely to generate more manufacturing and professional service employment, residential development will create more jobs in retail trade, food services and social assistance. This then becomes an important nuance for the future planning and management of a precinct such as the BBEA.

There are a number of options available to Council in envisioning a future for the BBEA. Here we describe (in addition to the Business as usual scenario) an advanced manufacturing employment option, a full residential option and a hybrid option combining both residential and commercial land uses:

Option 2 - The **advanced manufacturing option** takes a blue sky approach in the sense that it explores the potential employment outcomes which could be achieved if Council and its partners were to allocate significant levels of public investment to enhance the economic prospects of the BBEA. Under this option, Council envisions a 21st century employment precinct which is globally competitive and provides employment opportunities of the highest calibre to its local residents. Businesses attracted to the precinct would become key planks of the future supply chain and generate significant wealth for the local and regional economy. Figure 39 below outlines the specific interventions which would be required to deliver this vision, whilst Figure 40 provides a risk assessment of the interventions.

FIGURE 39 STRATEGIC INTERVENTIONS REQUIRED TO IMPLEMENT OPTION 2

Intervention	Rationale
<p>Strategic transport investments</p> <ul style="list-style-type: none"> – Upgrades to the Nepean Highway and connections to Nepean Highway – Upgrades to Bay Road, Reserve Road and the other streets in the area – Railway line extension for freight capacity – Improved access to a (sea)port, particularly if Port of Hastings development plans are to go ahead 	<p>Advanced manufacturing businesses are export oriented, and therefore heavily reliant on efficient access to markets. This will primarily require improved road and rail connections to sea ports in Port of Melbourne and potentially Port of Hastings. Air freight is relatively insignificant in terms of overall volume, however high value niche products (such as those produced through advanced manufacturing) are often delivered by air freight - so connectivity to Tullamarine Airport and/or Avalon Airport could also be of significance. Any development of Moorabbin Airport (in terms of freight handling) could be a game-changer although this is not expected to occur in the near future.</p>
<p>Commuter transport investment</p> <ul style="list-style-type: none"> – Provide a direct rail link to the principal public transport network, with a commuter railway station (the potential Southland railway station could help, although a shuttle bus service into the BBEA may be required) 	<p>Improves business access to workers across a larger catchment than just the immediate surrounding area</p>
<p>Fast internet broadband connection (NBN)</p>	<p>A customer service and value focus will require significant online marketing prowess, whether it be marketing to other businesses in the supply chain or consumers</p>
<p>Institutional coordination and delivery</p> <ul style="list-style-type: none"> – Attract a key science/research stakeholder. Top of the list would be: <ul style="list-style-type: none"> o CSIRO (again) o Universities o Cooperative research centres o Research and development corporations o Publicly funded research agencies o Medical research institutes – Other government office relocation – Other education facility establishment – Other health facility establishment 	<p>Research and development of high value products is significantly enhanced by long term engagement and strategic partnerships with leading research institutes</p>
<p>Strategic planning</p> <ul style="list-style-type: none"> – Retain existing zoning – and/or Rezoning parts of the precinct towards an Industrial 1 or Industrial 3 zone 	<p>Advanced manufacturing necessitates significant investment which is often high risk. Businesses seeking to establish in the area would require a high degree of certainty that there will be no adverse to land use in and around their precinct, as a forced relocation could be disastrous to their plans</p>

FIGURE 40 OPTION 2 STRATEGIC INTERVENTIONS RISK ASSESSMENT

Strategic Intervention	Plausibility	Implementability	Funding support
Strategic transport investments	Difficult in the short term given State Government commitment to other major transport projects including level crossings and Melbourne Metro, but possible in the longer term.	Likely if vision is 'signed off' by relevant stakeholders.	Would be feasible as a set of 'second-tier' funding commitments beneath city-shaping infrastructure projects.
Commuter transport investment	Likely given ongoing discussion of a commuter railway station at Southland.	Highly likely given the railway station option concept has already been devised.	Dependent upon state government support for Railway station at Southland. A shuttle bus should be financially feasible if there is enough employment in the area.
Fast internet broadband connection (NBN)	Highly Likely given the ongoing federal government rollout of the NBN across the country.	Highly likely	Highly likely.
Institutional coordination and delivery	Unlikely given the impending loss of CSIRO from the area. Would require some networking given that the BBEA is currently quite isolated from relevant assets and institutions.	Would also require procuring suitable land parcels for the relevant institution(s).	Financial incentives may be necessary.
Strategic planning	Highly likely as the existing zoning should support the range of activities.	Highly likely as no significant rezoning is required.	Not likely to be required.

Option 3 - Ultimately, Bayside and the BBEA are also at the centre of a major and dynamic metropolitan economy. Bayside is not an island and an examination of the evidence presented in this report suggests that the working residents of the LGA have access to a significant array of jobs. It may therefore be as productive and as environmentally responsible to grow the residential population to match the large concentrations of jobs in the broader region as it is to grow or protect the number of jobs within the Council boundaries. Under the **residential redevelopment option**, the entire BBEA precinct is rezoned towards residential development, along with an appropriate provision of neighbourhood scale retail and community service facilities. Developers would also be encouraged to develop commercial floorspace, although significant levels of office development is assessed as unlikely.

Option 4 – Another alternative would be a **hybrid development option** which combines residential and commercial land uses within the BBEA. This could either be achieved through rezoning a portion (say half) of the BBEA, or it could involve mandating an employment floorspace outcome on sites where rezoning applications are sought. Whilst the second of these methods could be suitable for larger sites in

the BBEA (smaller sites would require amalgamation to facilitate significant development in any case), the first method provides greater certainty for businesses, landowners and developers alike.

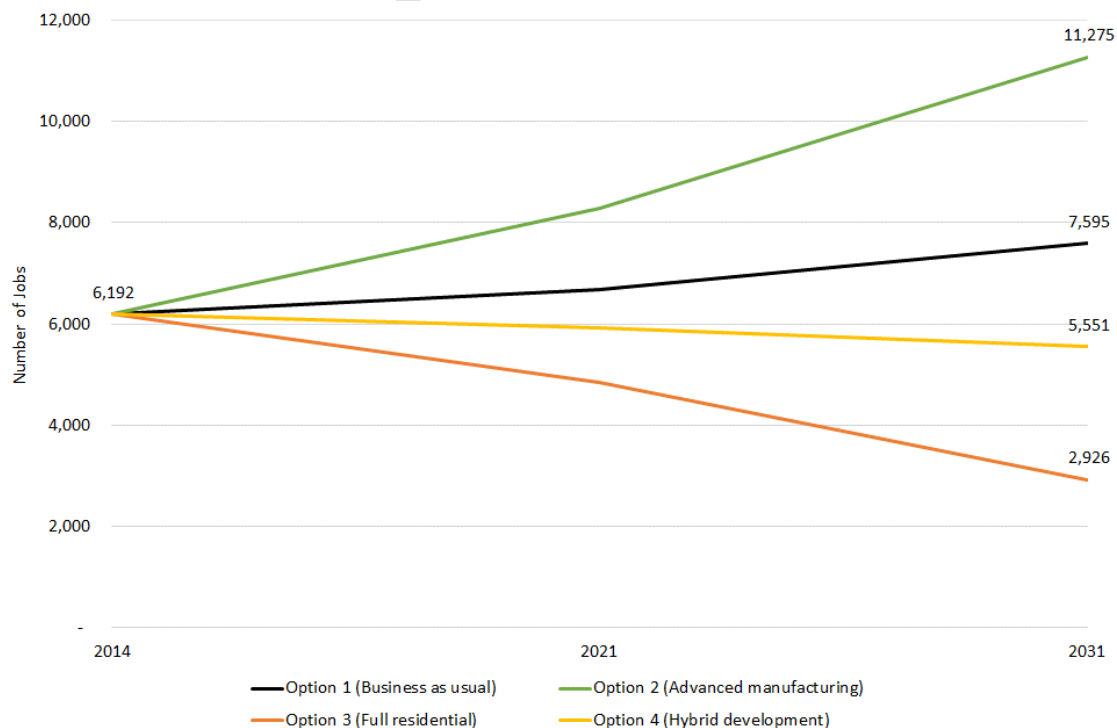
Alternative employment scenarios

In developing the options based scenarios, SGS has used a top down growth framework in distributing employment, which is driven by two key assumptions.

- The aggregate future pool of jobs will grow broadly in line with forecast population for metropolitan Melbourne and its macroeconomic prospects. Moreover, this jobs growth will not necessarily be an extrapolation of the current industry mix. In part at least, it will reflect new industries generated by new market conditions, for example, an ageing of the general population. However, regardless of the mix of jobs, the total number will be more or less ‘fixed’.
- There is a limit to the number of future jobs will be amenable to being shifted from where they would have been located under the Business as usual conditions. The remainder would be anchored to particular localities in Melbourne because they have a population serving nexus (e.g. retail jobs follow the resident population) or they enjoy a compelling agglomeration benefit (e.g. high level business service jobs are strongly drawn to the CBD and inner south where there are rich opportunities for strategic alliances and innovation supported by face to face interaction). The BBEA also possesses a finite supply of land (although we have accounted for the possibility of multi-storey development as a means of creating extra floorspace in the precinct).

Based on this discussion of options, we postulate the following employment scenarios for the BBEA. We have used 2031 as the full development year. However this is entirely hypothetical and all timeframes are contingent upon a multitude of factors including the timing of funding support for strategic interventions, the prolonged continuation of existing land uses (as is the right of businesses – particularly owner occupiers) and any unforeseen fluctuations in the broader economy.

FIGURE 41 BBEA EMPLOYMENT SCENARIOS UNDER VARIOUS DEVELOPMENT OPTIONS



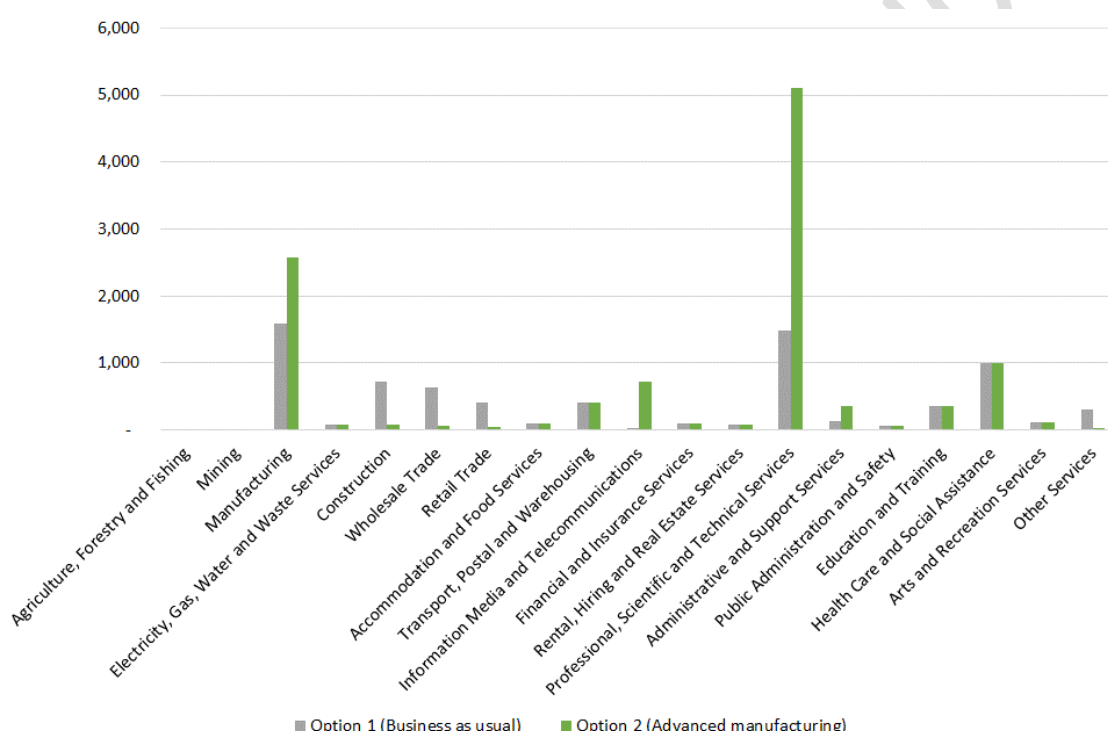
Source: SGS Economics and Planning 2015

Figures 42 to 44 focus on the final (2031) employment composition by ANZSIC industries for the various options – compared against the first option (the business as usual scenario).

As would be expected, Option 2 generates significantly greater levels of employment opportunities in both the Manufacturing and Professional, Scientific and Technical Services. Note that whilst advanced manufacturing is not specifically tied any particular sub-category of manufacturing, we do know it leverages heavily off scientific and technical services – businesses which already have a presence within the BBEA and Bayside more generally.

The attraction of new jobs in these sectors will necessitate the displacement of some existing jobs. Firms in construction, wholesale trade and bulky retail in particular are likely to relocate to precincts with lower land values – most likely to the Industrial Zoned lands in the City of Kingston.

FIGURE 42 EMPLOYMENT FORECAST BY INDUSTRY BUSINESS AS USUAL VS OPTION 2 BY 2031

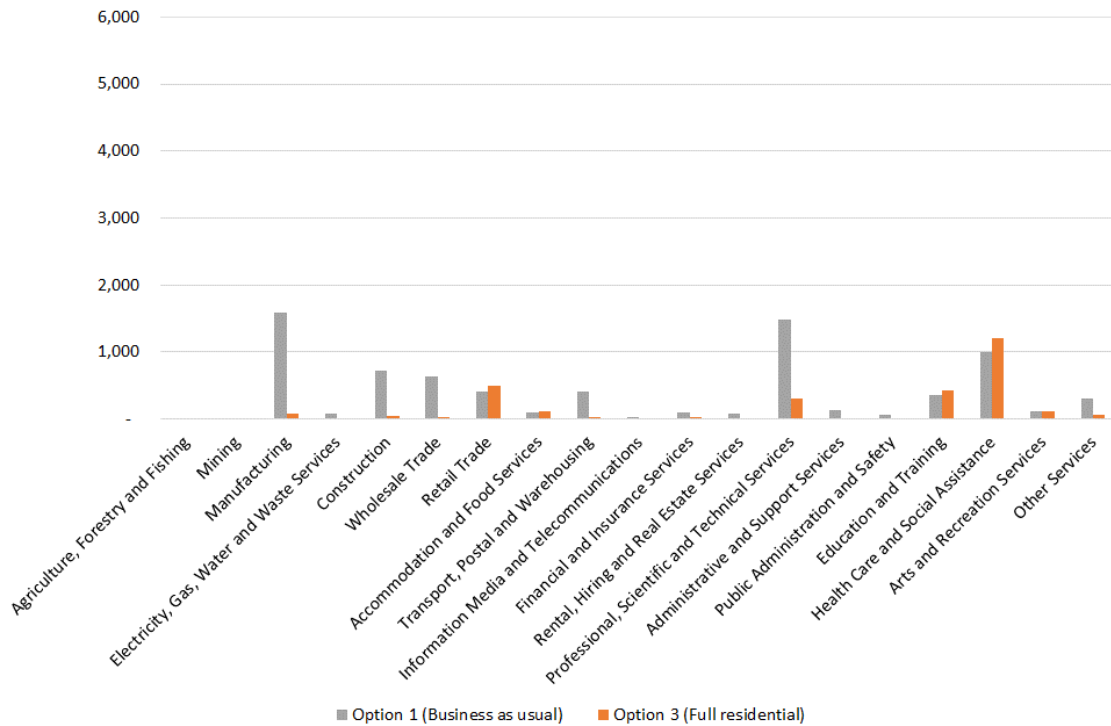


Source: SGS Economics and Planning 2015

Option 3 (Full residential development) result in a loss of employment in the BBEA. Whilst some jobs will be accommodated through small scale offices in mixed use developments, a transition away from core employment would only generate significant employment opportunities in population serving industries such as health care and retail trade.

The level of retail trade employment remaining would also be dependent upon the scale of retail facilities which Council would wish to accommodate on site. Given the close proximity of Southland and a number of other centres, a supermarket anchored Neighbourhood Centre is likely to be the maximum scale of retail development in this precinct permissible without compromising the broader structure of the retail hierarchy. Generally a 10,000sqm to 12,000sqm Neighbourhood Centre would generate just over 400 jobs at an employment density of 25sqm per job.

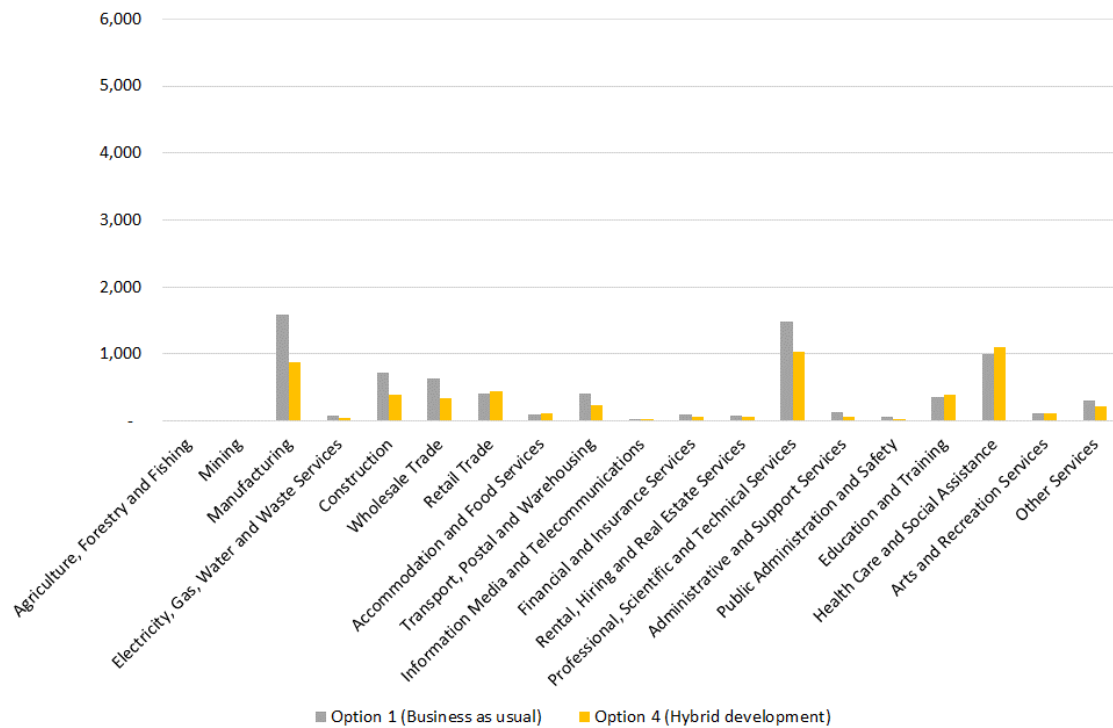
FIGURE 43 EMPLOYMENT FORECAST BY INDUSTRY BUSINESS AS USUAL VS OPTION 3 BY 2031



Source: SGS Economics and Planning 2015

Under Option 4, a similar trend is observed from Option 3 – albeit the results are less extreme than that observed under the full residential development scenario. As with Option 3, we would expect some population serving jobs to emerge along with the residential population, although the scale of retail and services would be lower in this instance as the precinct’s resident population would also be lower. In the parts of the precinct for which the existing Commercial 2 Zone is retained, we would expect the composition of employment to be similar to that expected under the business as usual scenario.

FIGURE 44 EMPLOYMENT FORECAST BY INDUSTRY BUSINESS AS USUAL VS OPTION 4 BY 2031



Source: SGS Economics and Planning 2015

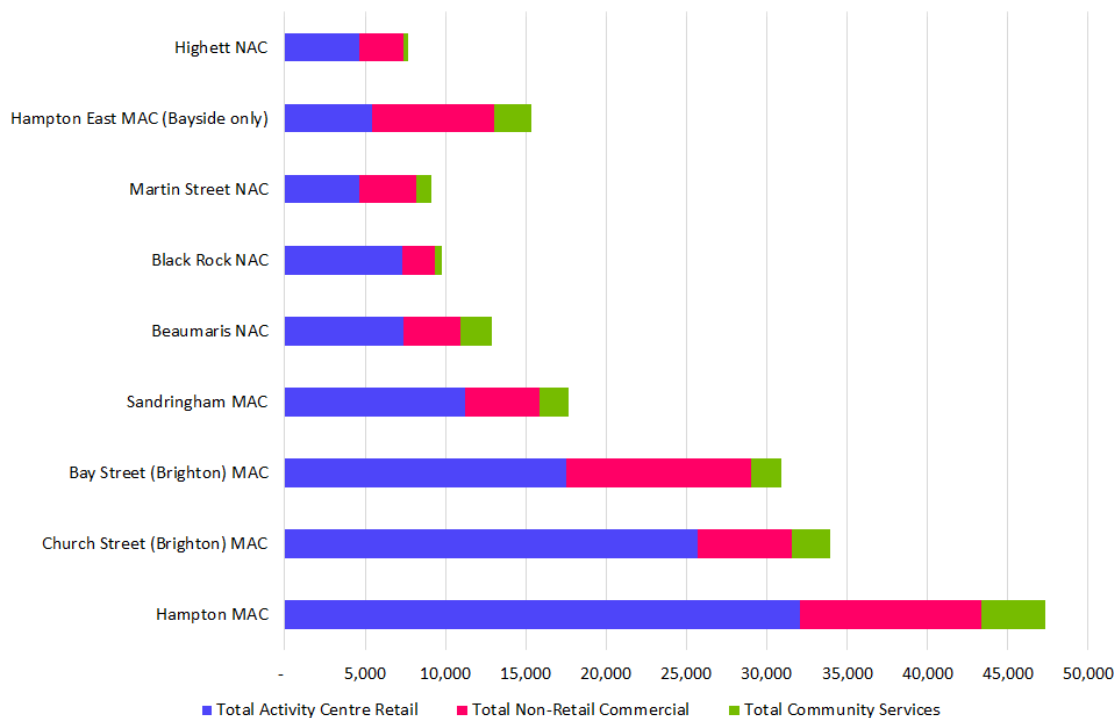
8 ACTIVITY CENTRES

8.1 Profile

Bayside's Activity Centres are nodes of population serving activities. As Figure 45 below indicates they are first and foremost retail centres, but then also function as focal points for other types of employment. As the discussion of Section 6.2 eluded to, many jobs which are not included within the Activity Centre boundaries are nonetheless within close proximity.

Hampton MAC is by far the largest of the centres, with Church Street and Bay Street also possessing significant levels of retail and other floorspace. Bay Street and Hampton MACs possess the greatest concentrations of commercial offices.

FIGURE 45 LAND USE/FLOORSPACE COMPOSITION FOR MACS AND LARGE NACS IN BAYSIDE



Source: Bayside City Council 2015 Land use audit

The presence of Southland on the edge of the Bayside-Kingston municipal boundary has also long influenced the growth pattern of these Activity Centres. A Super-Regional Centre the size of Southland generally dominates the market for large anchors, international franchises and major brands. The marketing challenge for Bayside's centres (and shops) has always been to find a point of difference which the Southland centre cannot match (atleast in the short to medium term). Figure 44 presents the result of this challenge in terms of retail floorspace composition.

The average MAC or NAC in Victoria has its supermarket anchor(s) possessing 62% of its retail floorspace. This may appear high at first consideration, but when one considers the fact that an average full line supermarket is around 4,000sqm of floorspace and an average specialty shop is 100sqm, it takes

25 specialty stores in a supermarket anchored centre to achieve the stated ratio of 62% supermarkets, 38% specialty stores.

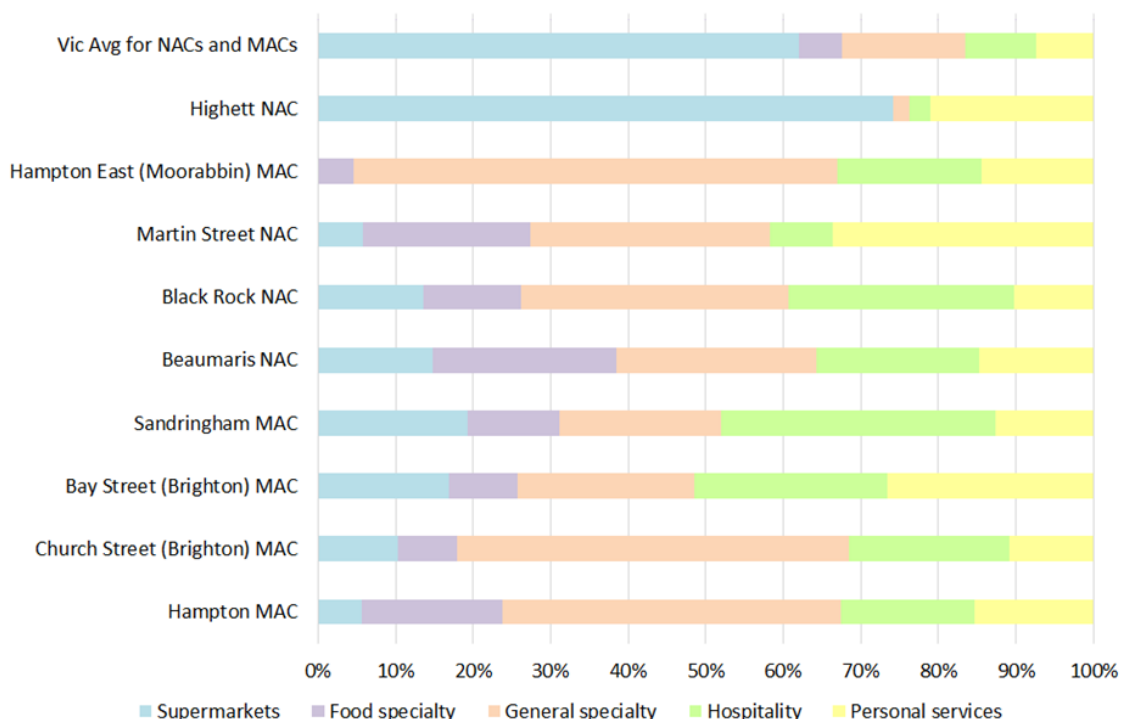
When compared to the average NAC or MAC across Victoria, Bayside's Activity Centres possess less supermarket floorspace and more specialty store floorspace. This is due to two major factors in the supply and demand equation.

From a supply side perspective, Southland (as mentioned) alone possesses Woolworths, Coles and Aldi supermarkets. This partly explains the relative lack of major supermarket anchors in the MACs and NACs – but does not explain the significant presence of specialty stores.

The more important factor is then the demand side, spending preferences of the local population. Generally in more affluent communities, high disposable income and more discerning tastes generate significant demand for specialty stores. Some of these stores such as those selling food and groceries are sustained by local expenditure alone (within defined catchments), whilst the more specialised stores will draw trade from across south-eastern Melbourne. This is a natural feature upon which Bayside's Activity Centres has managed to build that all important differentiation from Southland.

High-end hospitality and niche fashion (which is part of the general specialty category here) in particular, can be presented distinctively in street-based malls in the form of alfresco dining and a strong sense of place (respectively). As a result many of these centres possess a far higher provision of specialty stores than their local population catchment can support (even accounting for Bayside's higher levels of disposable income per capita). This logically implies a high level of expenditure 'injections' in the form of tourists and non-Bayside visitors. These elements are discussed in greater detail in Section 8.4 and the 4 MAC reports for individual Activity Centres.

FIGURE 46 LAND USE/FLOORSPACE COMPOSITION FOR MACS AND LARGE NACS IN BAYSIDE (RETAIL COMPONENTS ONLY)⁷



Source: Bayside City Council 2015 Land use audit, Victorian average derived from 2015 Property Council of Australia data.

⁷ Excludes non-retail activities, excludes retail floorspace outside of the City of Bayside

8.2 Retailing

Bayside's Activity Centres are first and foremost centres of retail trade. As mentioned, these Activity Centres possess an eclectic mix of retailing which is well differentiated from the heavily anchored Southland Activity Centre.

Over the next 15 to 20 years, population growth will drive the incremental growth of most store formats. The success or otherwise of discretionary specialty stores and hospitality businesses will then determine the extent to which these Activity Centres can grow their base of non-local visitors and tourists. This has proven to be difficult over the past seven to eight years given the impact of the GFC and the stagnant economic conditions in the period since. Those macroeconomic factors have curbed discretionary expenditure whilst the hospitality sector has become increasingly competitive with new market entrants and even supermarkets that are selling restaurant-substitute convenience meals.

Nonetheless, future retail development opportunities will emerge in:

- Areas which will see increased population growth due to continued residential/mixed-use development;
- Areas with high walkability and a 'sense of place'/retail brand identity which allows local shops to better compete with Southland and other large shopping attractions; and
- Areas with good proximity to public transport and other services and facilities.

Most of Bayside's larger Activity Centres possess some combination of these three features. All of those centres are therefore well placed to accommodate higher levels of demand and can expect to grow moderately as a result.

8.3 Commercial development

The vast majority of Bayside's commercial floorspace growth will be directed towards the BBEA. This is generally a positive outcome as the BBEA is the best business park location for attraction of Business-to-Business type firms (B2B), whereas Activity Centres are better positioned to accommodate Business-to-Consumer firms (B2C).

Increased retail and residential development within Activity Centres generally lead to increased demand for certain types of commercial office which can meet the needs of residents living in, around and within close proximity to Activity Centres. Many of these businesses occupy office floorspace with a shop-type frontage. This allows them to market themselves to the same shoppers which would visit retail facilities in those Activity Centres. Alternatively some businesses might also occupy shop-top offices.

In the future, the main opportunities for commercial office development in Activity Centres would be strata offices for local population serving businesses including real estate, insurance and other service providers. Whilst in the long-term all of these Activity Centres are likely to experience greater commercial office development that is commensurate with the population growth in their local catchments, Activity Centres with the greatest opportunity for commercial office development will be characterised by a combination of the following factors:

- An above average concentration of office users (as office users tend to cluster together often being located in professional service hubs) – this is the major self-reinforcing element in the equation;
- Adjacent (or within close proximity) to services, facilities and transport infrastructure;
- Large retail, residential base (increased traffic and activity); and

- On (or near) major roads⁸.

A property market assessment has identified the Highett Activity Centre as the centre in Bayside which is likely to attract the most significant levels of commercial office development. The Highett Activity Centre has the following attributes which are more conducive to office development:

- Benefits from being adjacent to the retail and commercial areas of Nepean Highway and South Road;
- Benefits from proximity to the Moorabbin Railway Station, bus interchange and Kingston City Town Hall;
- Currently provides office space for a range of sectors including health, business services, finance and government; and
- Has been identified for growth in Plan Melbourne.

The area around the Southland Shopping Centre would also be conducive to office development due to the following factors:

- Level of retail and other amenity;
- Opportunity for road frontages;
- Rail access;
- Proximity to BBFA;
- Southland train station slated for completion in 2017; and
- Surrounding residential development.

It is expected that the Southland precinct will absorb a significant proportion of demand for offices, and in effect, reduce net demand for office floorspace in Highett and other Activity Centres.

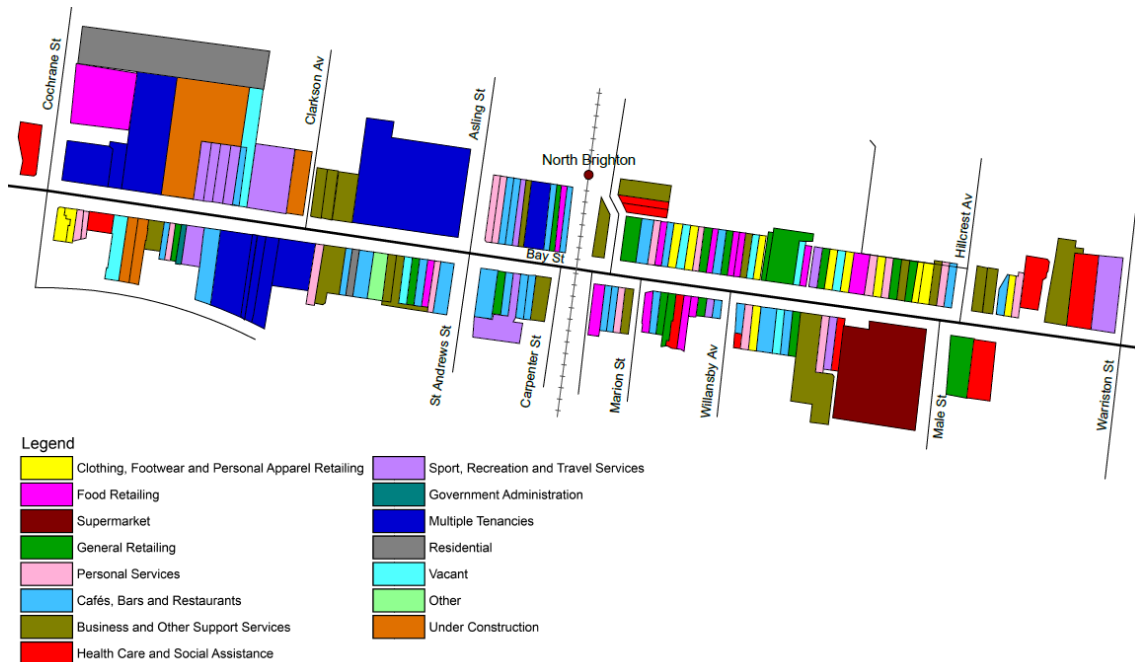
⁸ Note that main roads are also potential locations of commercial office development but are considered to be significantly less attractive than the BBFA or the Activity Centres for attracting commercial floorspace, as in the Bayside context, those locations tend to be relatively weak on the other essential locational characteristics.

8.4 Individual centres

Bay Street Major Activity Centre

The Bay Street Activity Centre is an 800 metre strip with the third most businesses in a commercial precinct in Bayside. Development typically consists of two storey shops, although three to five storey office and residential buildings are also evident. The precinct benefits from a full line supermarket, a cinema complex, awnings over pathways, street trees and some on street dining.

FIGURE 47 LAND USES ACROSS BAY STREET MAC 2015



Source: Bayside City Council 2015

The Bay Street Centre's trade area (Figure 48) will have expanded significantly since the last analysis in 2006 due to the development of a new full-line supermarket. Given the lack of a similar stores in the surrounding area's centres, the secondary trade area (in particular) now extends towards Elsternwick, Bentleigh and covers the Church Street area.

On this basis it is assessed that most stores in Bay Street are likely to be overtrading at present, with the scope for more retail floorspace of all types to be provided in the centre if suitable sites can be identified. However Council may wish to strategically avoid expanding Bay Street, and allow more demand to be absorbed by other nearby centres including Martin Street and Church Street (Figure 49).

Opportunities for office floorspace (Figure 50) is likely to be moderate over the next few years, with demand for population serving businesses likely to be commensurate with population growth over the long term.

Future opportunities for this centre include:

- Support residential development to increase density and consolidate the catchment.
- Continued 'shop top' development to absorb both residential and office demand
- Continue to improve streetscape.
- Long term opportunities exist to attract smaller/niche office uses to areas with aesthetic appeal and good amenity.

FIGURE 48 BAY STREET MAC TRADE AREA

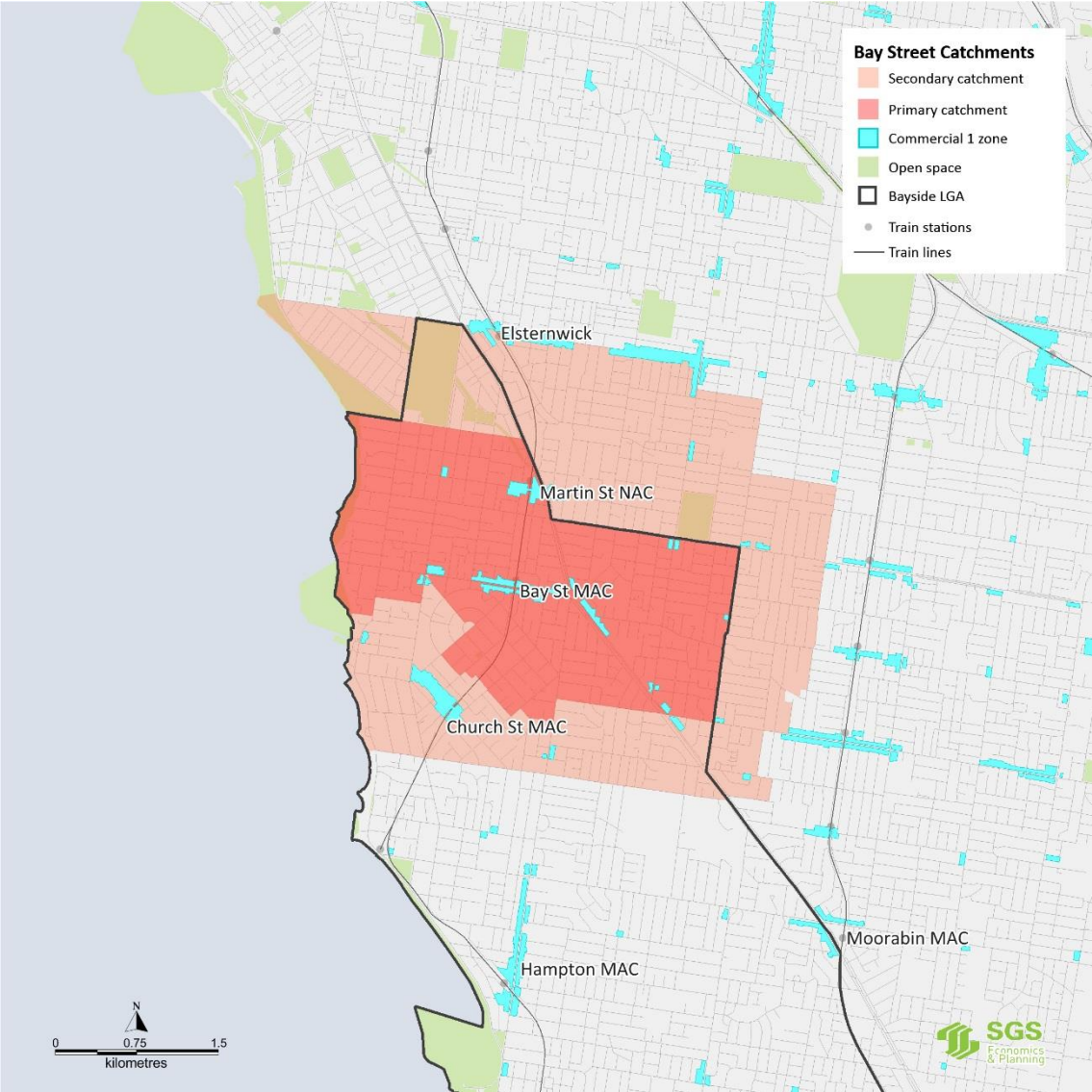


FIGURE 49 BAY STREET RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	2014		Projection 2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	4,028	5,600	1,600	6,200	2,100	6,500	2,500
Specialty – Food & Drink	\$7,200	2,137	3,900	1,700	4,100	2,000	4,300	2,100
Specialty – Non food	\$6,600	8,010	10,600	2,500	11,200	3,200	11,700	3,700
Hospitality	\$5,800	5,939	7,200	1,300	7,700	1,800	8,100	2,200
Total		20,114	27,200	7,100	29,200	9,100	30,500	10,400

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 50 BAY STREET COMMERCIAL FLOORSPEACE FORECAST

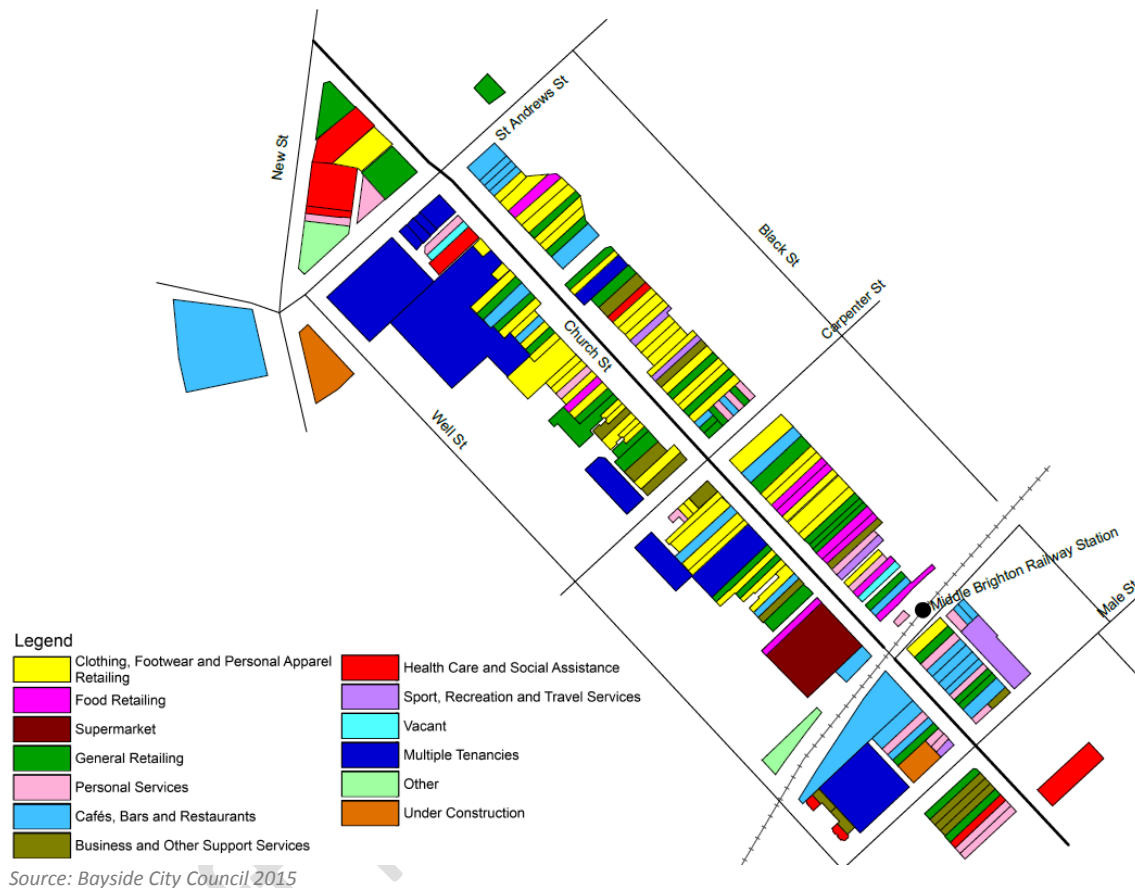
Year	Commercial Employment	Estimated Supply (m ²)	Floorspace Required (m ²)	Expansion Need
2014	806	14,627		
2021	847	14,627	15,400	800
2031	970	14,627	16,900	2,200

Source: SGS Economics and Planning 2015, Bayside City Council

Church Street Major Activity Centre

The Church Street Activity Centre offers the second largest number of businesses of Bayside's Activity Centres but in a relatively compact space of two blocks. Shops are typically single storey although some double storey offices are evident. The strip benefits from on street dining, many shade trees and an attractive presentation overall. The tenancy mix includes a supermarket, a cinema complex, footwear and apparel outlets and designer clothing outlets.

FIGURE 51 LAND USES ACROSS CHURCH STREET MAC 2015



Church Street MAC's trade area is not directly indicative of the level of trade the entire centre supports. This trade area applies well to home based supermarket and specialty food expenditure, where customers' willingness to travel for weekly needs is relatively constrained.

When it comes to other store types however, it is estimated that a significant proportion of Church Street's non-food specialty store and hospitality trading is supported by expenditure 'injections' from people who do not live within in the trade area (or even in Bayside for that matter).

In the future projected demand for those more discretionary categories of expenditure (non-food specialty, hospitality) can be volatile and affected by fluctuating economic conditions. Nonetheless, Church Street's current vacancy rate of less than one percent (effectively nothing) would indicate this centre has strong prospects in the long term, with significant potential for floorspace expansion.

There will be similar opportunities to Bay Street for commercial floorspace in the form of population serving activities, although given the prevailing low vacancy rate new retailers will tend to 'win-out' over new offices due to retailers' higher willingness to pay for Activity Centre level rents. Council should therefore look to provide more opportunities for offices above the ground floor.

Future opportunities for this centre include:

- Support residential development to increase density and consolidate the catchment.
- Continued 'shop top' development
- Continue to improve streetscape.
- Support regeneration/redevelopment of retail frontages, given many appear dated.
- Long term opportunities exist to attract smaller/niche office uses to areas with aesthetic appeal and good amenity.

FIGURE 52 CHURCH STREET MAC TRADE AREA

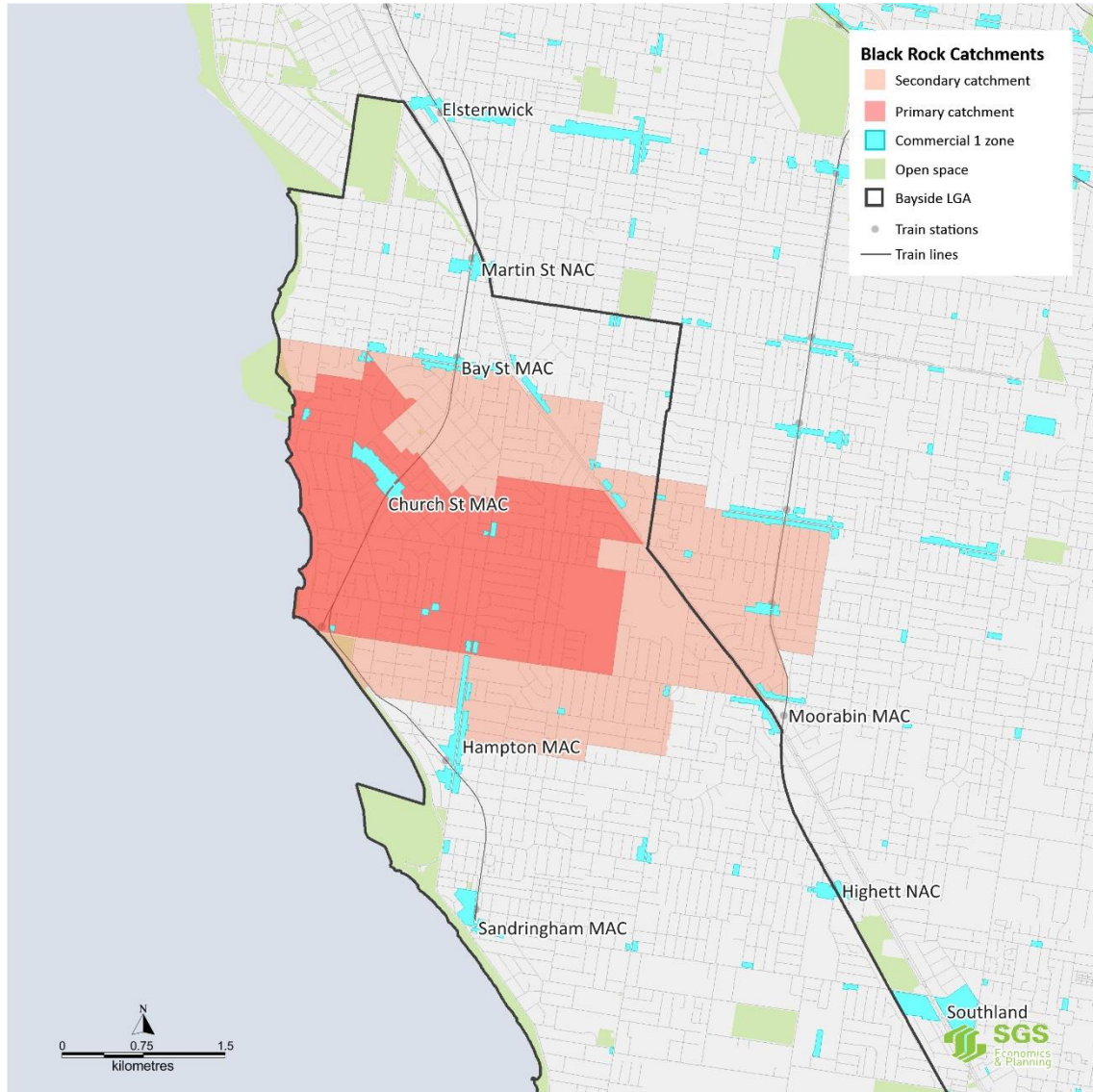


FIGURE 53 CHURCH STREET RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	2014		2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	2,962	3,200	200	3,500	600	3,700	700
Specialty – Food & Drink	\$7,200	2,198	2,300	100	2,400	200	2,500	300
Specialty – Non food	\$6,600	16,808	18,200	1,400	19,800	3,000	20,800	4,000
Hospitality	\$5,800	5,948	6,700	700	7,200	1,300	7,600	1,600
Total		27,916	30,400	2,500	33,000	5,000	34,600	6,700

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 54 CHURCH STREET COMMERCIAL FLOORSPEACE FORECAST

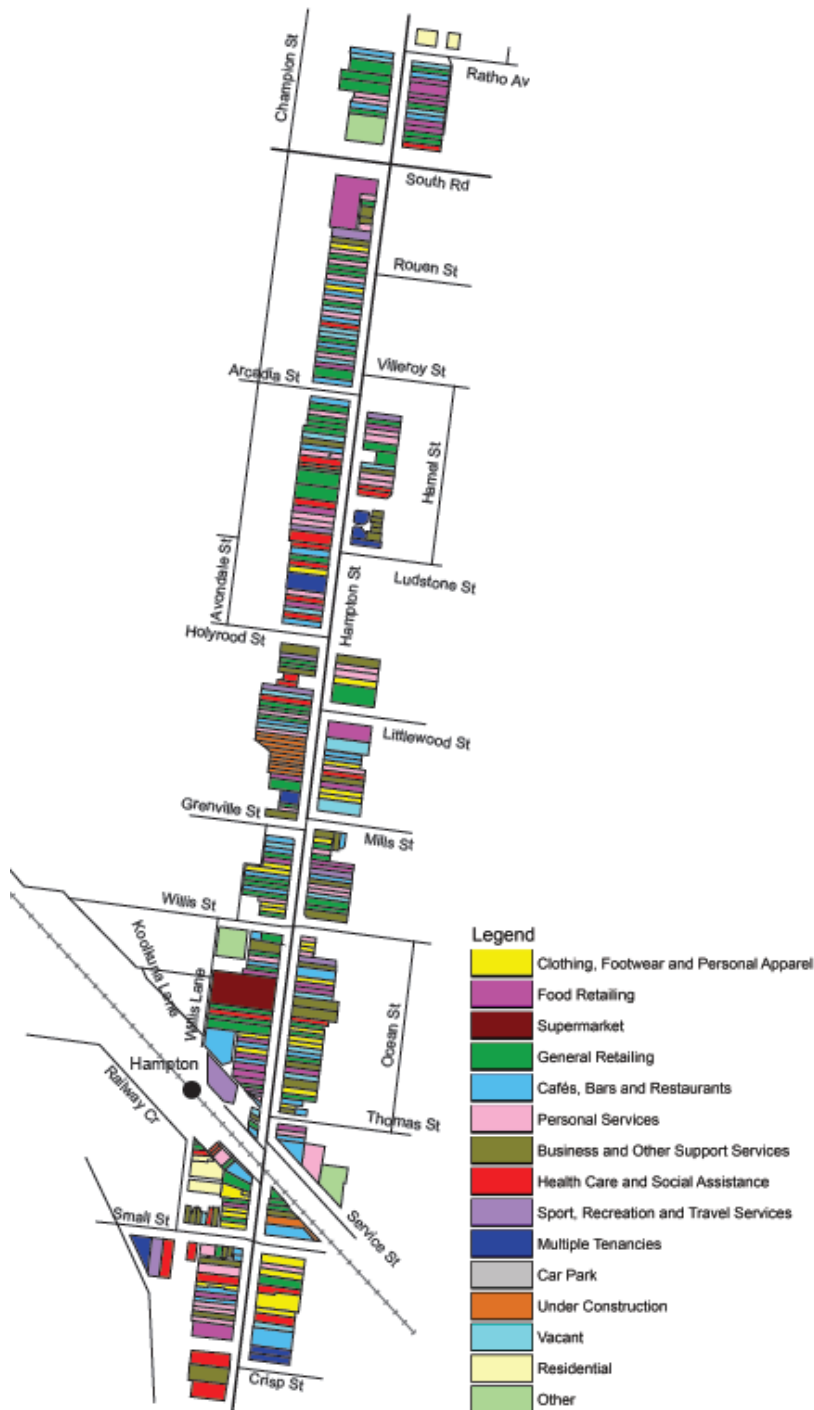
Year	Commercial Employment	Estimated Supply (m ²)	Floorspace Required (m ²)	Expansion Need
2014	653	9,752		
2021	683	9,752	10,200	400
2031	780	9,752	11,200	1,500

Source: SGS Economics and Planning 2015, Bayside City Council

Hampton Major Activity Centre

The Hampton Activity Centre extends 1.4 kilometres and is the largest commercial precinct in Bayside with the greatest number of businesses. It has the most diverse array of retail on offer, including a mid-sized supermarket. Intense retail activity is undertaken at the southern end of the strip, which benefits from close proximity to Hampton Railway Station as well as more street dining and weather protection, with development predominantly consisting of single storey shops. The northern end of the Hampton Street commercial precinct largely consists of single storey 'low key' shops opposite single storey residential land uses.

FIGURE 55 LAND USES ACROSS HAMPTON STREET MAC 2015



Source: Bayside City Council 2015

Hampton MAC is similar to Church Street in that whilst its supermarket anchor would only serve the immediate neighbourhood around it (as defined by the trade area below), the non-food specialty stores have a much stronger pull beyond Bayside and the immediate area.

Over next 15 years it is expected that demand for retail floorspace in Hampton will grow at similar rates to that expected in Church Street, but with some more significant levels of commercial floorspace expected.

Council will need to consider whether the existing Commercial 1 Zoning in Hampton Street will facilitate more office floorspace to be delivered in the centre. Alternatively, some form of vertical zoning could be entertained as a means of encouraging more offices to be delivered should there be any multi-storey developments in this centre.

FIGURE 56 HAMPTON MAC TRADE AREA

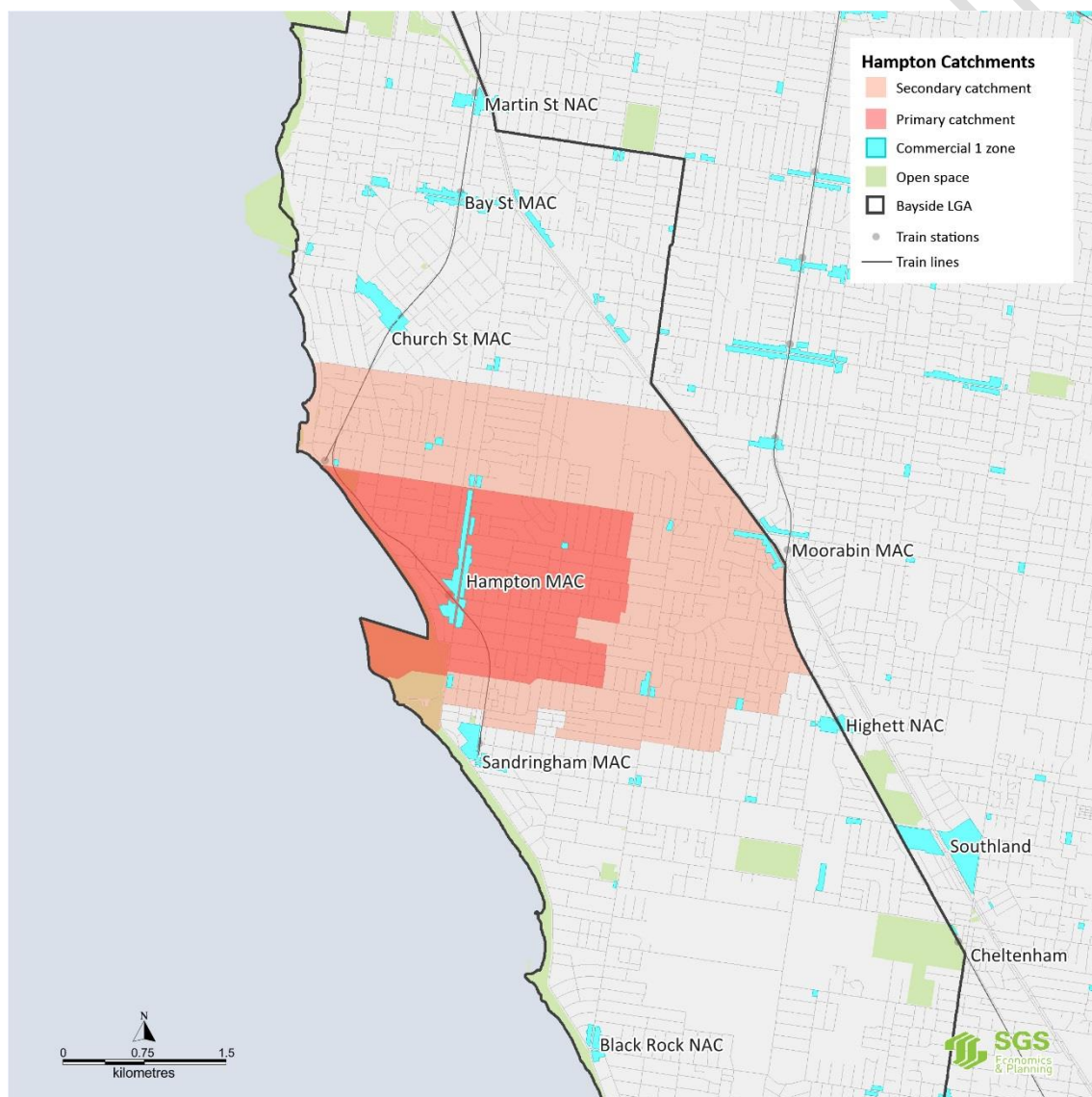


FIGURE 57 HAMPTON RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	2014		Demand 2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	2,130	2,100	-	2,300	200	2,500	400
Specialty – Food & Drink	\$7,200	6,870	6,900	-	7,600	700	8,000	1,200
Specialty – Non food	\$6,600	21,188	21,200	-	23,400	2,200	24,800	3,600
Hospitality	\$5,800	6,526	6,500	-	7,200	700	7,700	1,100
Total		36,714	36,700	-	40,500	3,800	43,000	6,300

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 58 HAMPTON COMMERCIAL FLOORSPACE FORECAST

Year	Commercial Employment	Estimated Supply (m ²)	Floorspace Required (m ²)	Expansion Need
2014	798	8,040		
2021	869	8,040	8,800	700
2031	1,030	8,040	9,700	1,600

Source: SGS Economics and Planning 2015, Bayside City Council

Future opportunities for this centre include:

- Support residential development to increase density and consolidate the catchment.
- Continued 'shop top' development – particularly for offices.
- Continue to improve streetscape.
- Consolidation of the precinct.
- Long term opportunities exist to attract smaller/niche office uses to areas with aesthetic appeal and good amenity.

Sandringham Major Activity Centre

Unlike the other 'ribbon' style precincts of other Major Activity Centres is Bayside, Sandringham Village is a cluster of shops located largely to the west and south of the Sandringham train station. The commercial area south of Sandringham station largely consists of older style single storey developments, whilst the commercial area west of the station consists of a mix of older style double storey shops as well as new three to five level residential developments with active street frontages. The tenancy mix includes a mid-sized supermarket and a high proportion of specialty food outlets, cafes and restaurants.

FIGURE 59 LAND USES ACROSS SANDRINGHAM MAC 2015



Source: Bayside City Council 2015

Demand for retail floorspace in Sandringham MAC is expected to grow incrementally over the next 15 years. The centre is assessed as having a good balance between food and non-food floorspace, with a 3.6% vacancy rate a reasonable equilibrium for a standard Activity Centre.

There is a limited provision of office floorspace in the Sandringham MAC compared to other centres, and with the centre providing more of a community service role. This is not expected to change significantly in the near future, with limited opportunities available for office development in this centre.

Future opportunities for this centre include:

- Support residential development to increase density and consolidate the catchment.
- Continued 'shop top' development.
- Continue to improve streetscape.
- Consolidation of the precinct.

FIGURE 60 SANDRINGHAM MAC TRADE AREA

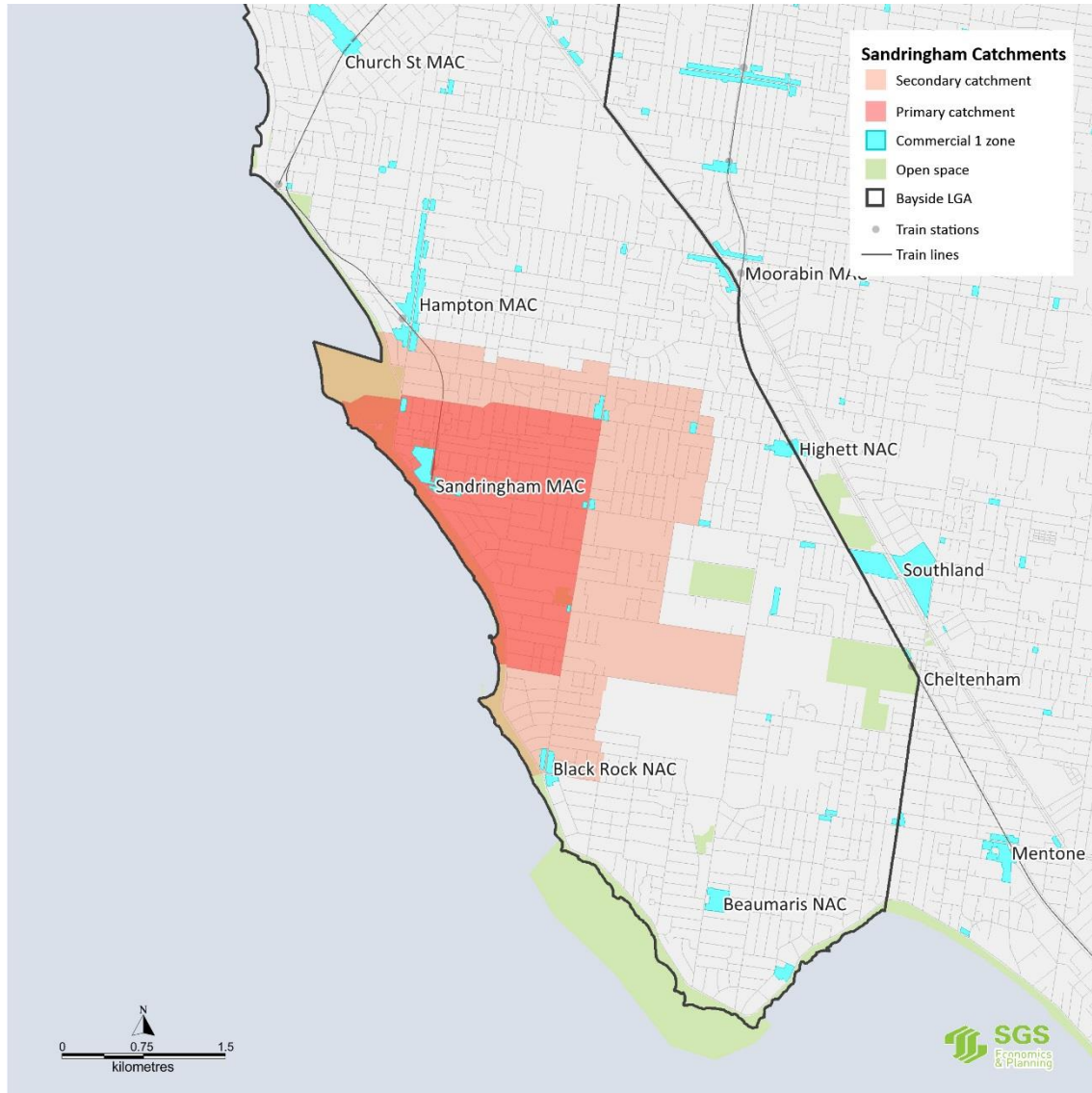


FIGURE 61 SANDRINGHAM RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	Projection					
			2014		2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	2,490	2,500	-	2,800	300	2,900	500
Specialty – Food & Drink	\$7,200	1,530	1,500	-	1,700	200	1,800	300
Specialty – Non food	\$6,600	3,948	3,900	-	4,400	400	4,700	700
Hospitality	\$5,800	4,560	4,600	-	5,100	500	5,400	800
Total		12,528	12,500	-	13,900	1,400	14,800	2,300

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 62 SANDRINGHAM COMMERCIAL FLOORSPEACE FORECAST

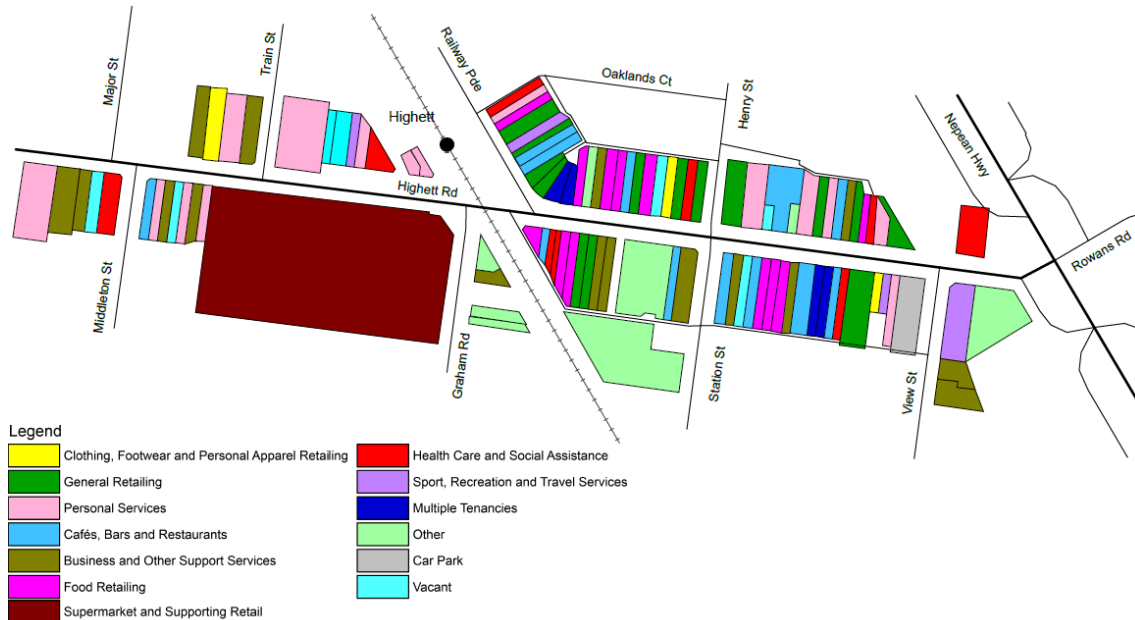
Year	Commercial Employment	Estimated Supply (m ²)	Floorspace Required (m ²)	Expansion Need
2014	681	5,589		
2021	693	5,589	5,700	100
2031	775	5,589	6,300	700

Source: SGS Economics and Planning 2015, Bayside City Council

Highett Neighbourhood Activity Centre

The Highett Activity Centre lies on the border of the Bayside and Kingston municipalities. Development in the Bayside half typically consists of new two and three storey residential developments with active street frontages, as well as older style single storey buildings. The area benefits from a full line supermarket and close proximity to Highett Train Station.

FIGURE 63 LAND USES ACROSS HIGHETT NAC 2015



Source: Bayside City Council 2015

The Highett NAC possesses a relatively extensive catchment as it is one of the few centres in Bayside with a full line supermarket (along with Bay Street). In the long run this anchor is expected help to centre attract a growing variety of specialty shops, although opportunities will still be limited given the Kingston parts of this centre's catchment area is predominantly industrial, whilst the centre is also close to Southland Shopping Centre.

Highett presents a great location for commercial office development. However it is expected that most of the demand for Business to Consumer offices in this region will be absorbed by commercial developments closer to Southland. The BBEA (also nearby) will be a stronger attractor of Business to Business offices.

Future opportunities for this centre include:

- Support residential development to increase density and consolidate the catchment.
- Continued 'shop top' development.
- Continue to improve streetscape.
- Consolidation of the precinct.
- Long term opportunities exist to attract smaller/niche office uses to areas with aesthetic appeal and good amenity.

FIGURE 64 HIGHETT NAC TRADE AREA

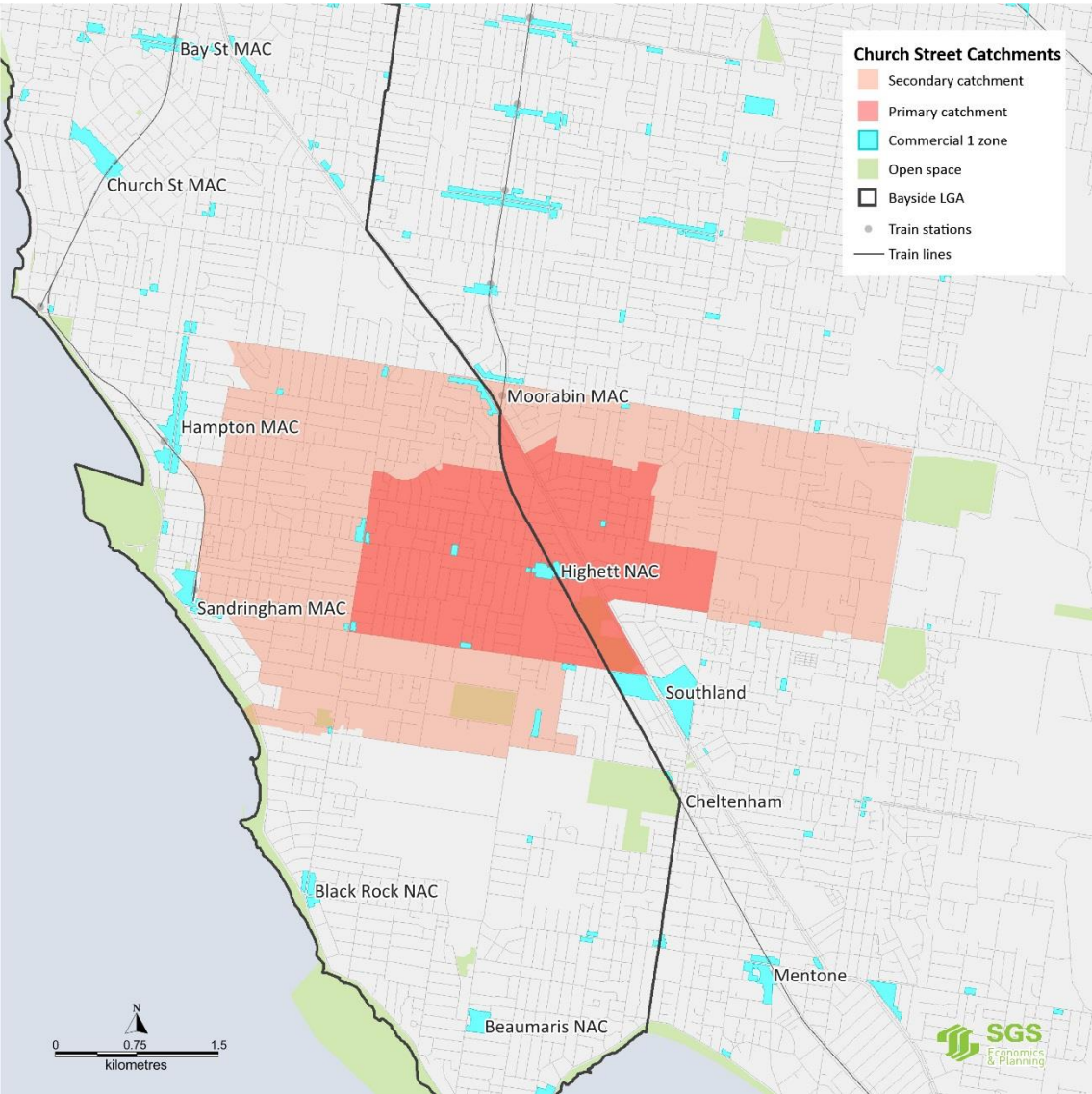


FIGURE 65 HIGHETT RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	Projection					
			2014		2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	4,385	4,400	-	5,000	600	5,500	1,100
Specialty – Food & Drink	\$7,200	-	2,500	2,500	2,900	2,900	3,300	3,300
Specialty – Non food	\$6,600	1,311	6,200	4,800	7,100	5,800	7,900	6,600
Hospitality	\$5,800	160	3,200	3,000	3,700	3,500	4,100	3,900
Total		5,856	16,200	10,400	18,800	12,900	20,800	14,900

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 66 HIGHETT COMMERCIAL FLOORSAPCE FORECAST

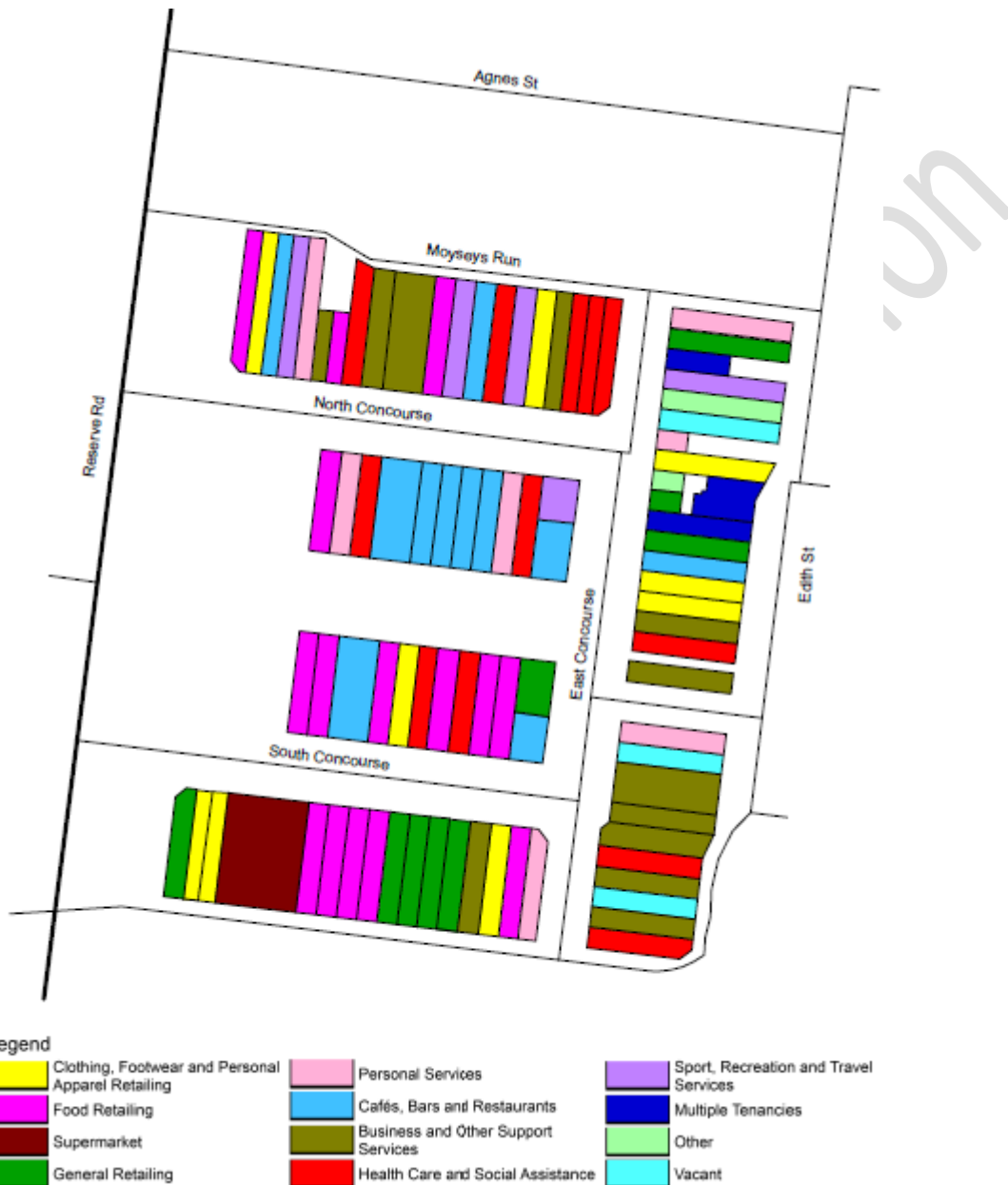
Year	Commercial Employment	Estimated Supply (m²)	Floorspace Required (m²)	Expansion Need
2014	414	1,553		
2021	471	1,553	1,800	200
2031	574	1,553	1,900	400

Source: SGS Economics and Planning 2015, Bayside City Council

Beaumaris Concourse

The Beaumaris Concourse is a smaller commercial precinct, dominated by older style single storey developments constructed in a town square format. Traffic is largely one way around the precinct, with parking on both sides of the street often a cause of traffic congestion. A small park adjoins the precinct to the west, and a spine runs through the centre of the square providing access to off street parking.

FIGURE 67 LAND USES ACROSS BEAUMARIS NAC 2015



Source: Bayside City Council 2015

Beaumaris serves a local neighbourhood catchment. Over the next 15 years this role is not expected to change, with minimal growth in floorspace demand projected. Commercial floorspace is expected to only grow slightly in line with population growth.

Future opportunities for this centre include:

- Support residential development to increase density and consolidate the catchment.
- Continued 'shop top' development.
- Continue to improve streetscape.
- Consolidation of the precinct.
- Some opportunities for residential development although lack of public transport and generally perceived lower amenity may provide some constraints.
- Smaller critical mass suggests commercial office development is likely to remain subdued.
- Encourage renewal/refurbishment of existing shop frontages to improve aesthetic appeal.

FIGURE 68 BEAUMARIS TRADE AREA

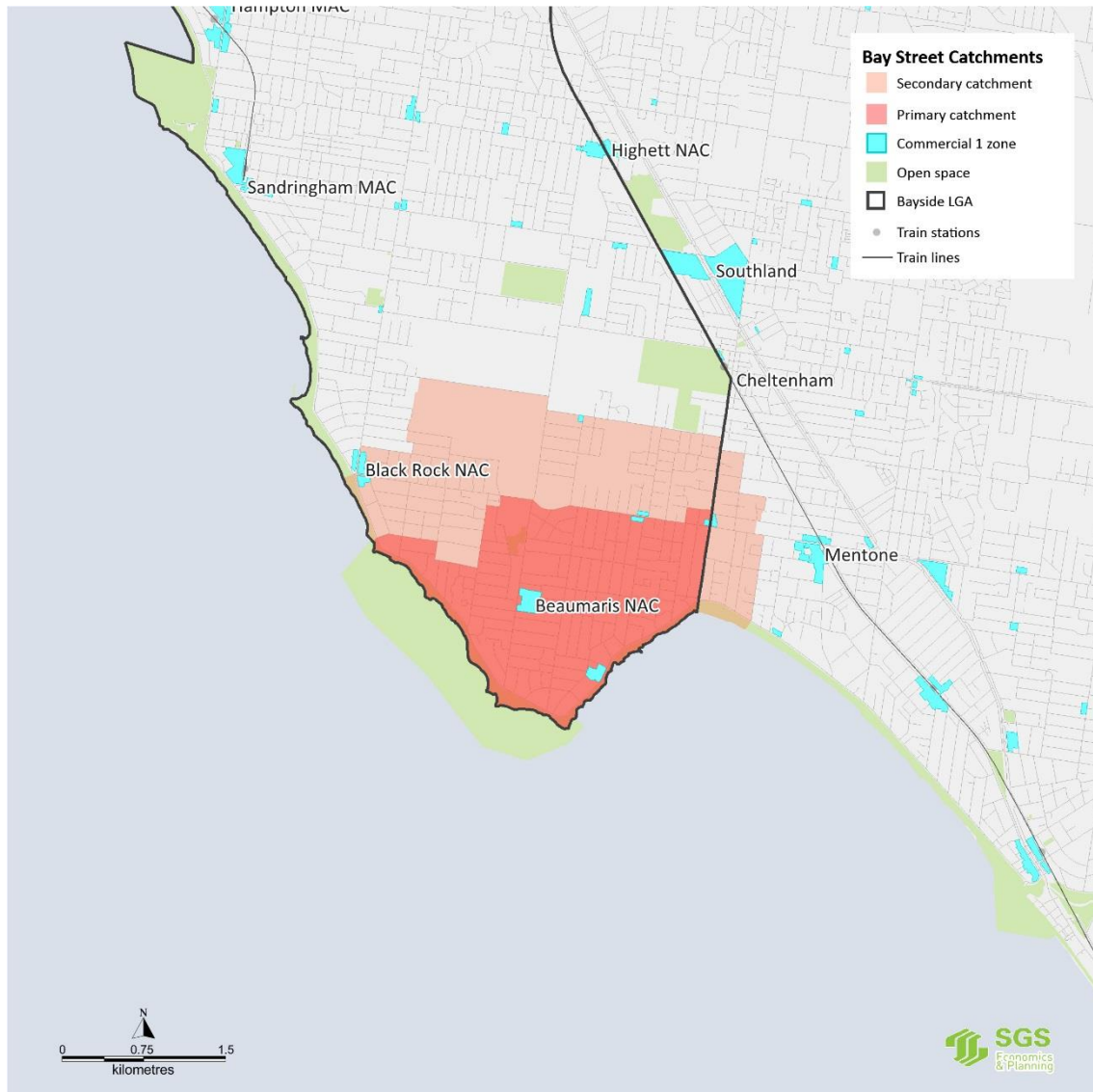


FIGURE 69 BEAUMARIS RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	Projection					
			2014		2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	1,284	1,300	-	1,400	100	1,400	100
Specialty – Food & Drink	\$7,200	2,058	2,100	-	2,200	200	2,300	300
Specialty – Non food	\$6,600	2,985	3,000	-	3,200	200	3,300	300
Hospitality	\$5,800	1,818	1,800	-	1,900	100	2,000	200
Total		8,145	8,100	-	8,700	600	9,000	800

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 70 BEAUMARIS COMMERCIAL FLOORSPEACE DEMAND

Year	Commercial Employment	Estimated Supply (m²)	Floorspace Required (m²)	Expansion Need
2014	440	3,037		
2021	476	3,037	3,300	300
2031	563	3,037	3,600	600

Source: SGS Economics and Planning 2015, Bayside City Council

Black Rock Village

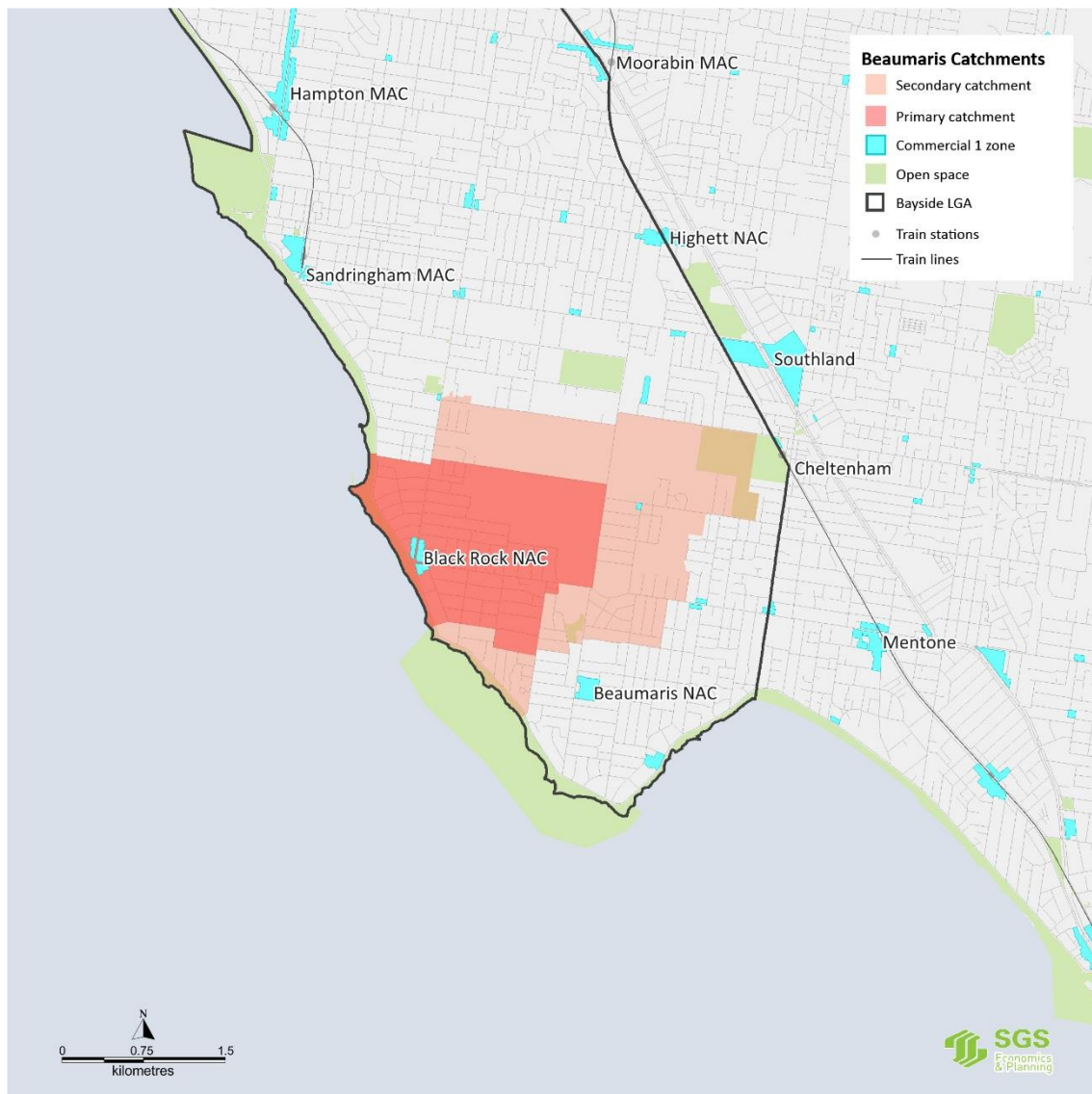
Black Rock Village is comparable in number of businesses to the Beaumaris Concourse Neighbourhood Activity Centre and both can be considered to have relatively small catchments in Bayside when compared to the MACs. The precinct consists of a mix of single storey and double storey retail buildings along Beach Road, Balcombe Road and Bluff Road. The tenancy mix consists of two supermarkets and a variety of specialty stores.

FIGURE 71 LAND USES ACROSS BLACK ROCK NAC 2015



Source: Bayside City Council 2015

FIGURE 72 BLACK ROCK TRADE AREA



Trade in the Black Rock NAC's supermarket anchor is almost entirely supported by its local population catchment. This catchment is small due to Port Phillip Bay to the west and the BBEA and golf courses to the east. Nonetheless a relatively affluent local population should ensure that demand for specialty stores will grow in the longer term. Future demand for office floorspace in this centre is assessed to be relatively low.

Future opportunities for this centre include:

- Support residential development to increase density.
- Continued 'shop top' development.
- Smaller critical mass suggests commercial office development is likely to remain subdued.

FIGURE 73 BLACK ROCK RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	Projection					
			2014		2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	1,099	1,100	-	1,200	100	1,200	100
Specialty – Food & Drink	\$7,200	1,030	1,000	-	1,100	100	1,200	100
Specialty – Non food	\$6,600	3,521	3,500	-	3,800	300	4,000	500
Hospitality	\$5,800	2,355	2,400	-	2,600	200	2,700	300
Total		8,005	8,000	-	8,700	700	9,100	1,100

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 74 BLACK ROCK COMMERCIAL FLOORSPEACE FORECAST

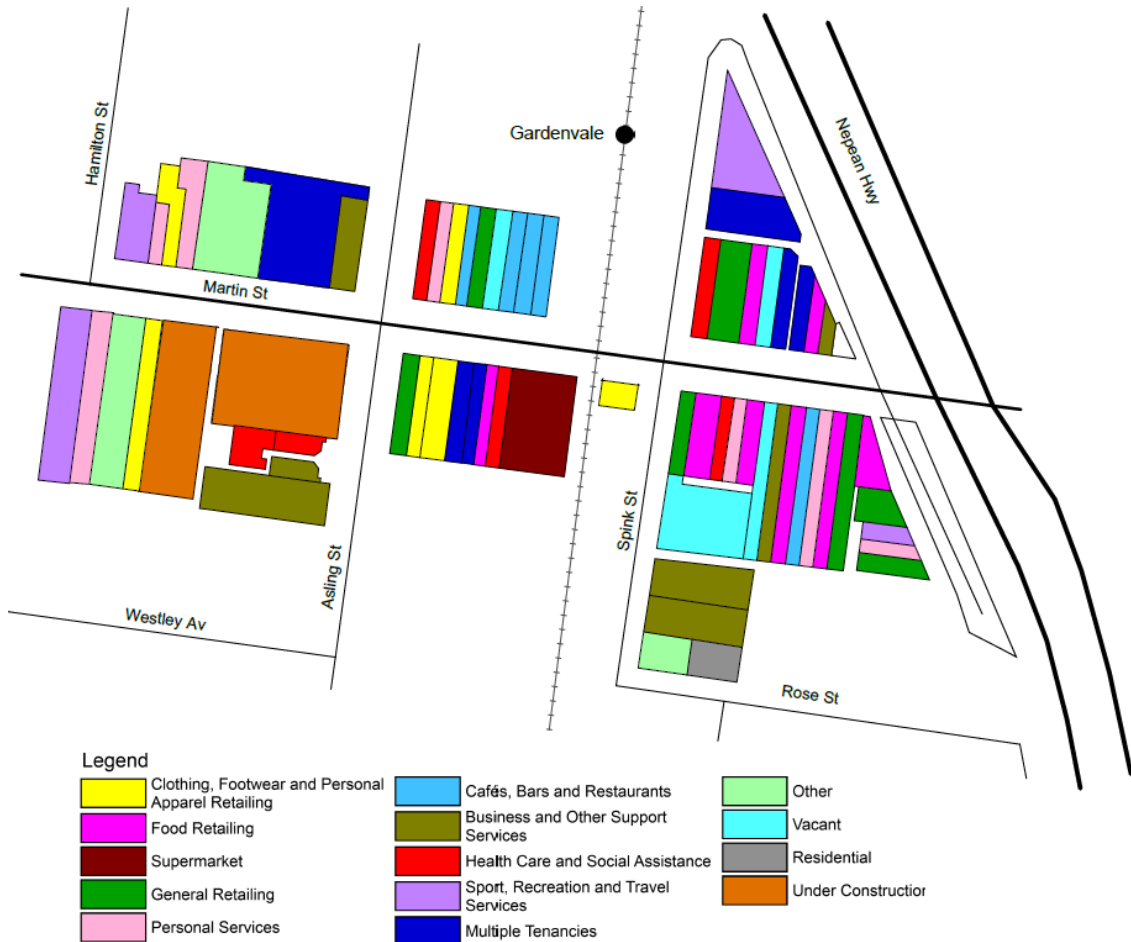
Year	Commercial Employment	Estimated Supply (m ²)	Floorspace Required (m ²)	Expansion Need
2014	902	2,511		
2021	878	2,511	2,400	0
2031	956	2,511	2,700	200

Source: SGS Economics and Planning 2015, Bayside City Council

Martin Street Village

The Martin Street Village is the smallest commercial precinct in the Bayside LGA, largely consisting of more traditionally styled two storey commercial development. The precinct benefits from established street trees, a small supermarket and close proximity to Gardenvale train station.

FIGURE 75 LAND USES ACROSS MARTIN STREET NAC 2015



Source: Bayside City Council 2015

Martin Street food and grocery anchor serves only a small catchment due to competition from Bay Street to the South and (to a lesser extent) Elsternwick to the North. Most of the residents within this catchment area are only expected to frequent Martin Street for day-to-day grocery needs, with more substantial shopping trips directed towards Bay Street or Elsternwick.

As with some of the other smaller Activity Centres in Bayside, demand for commercial office development is not expected to be significant, although Martin Street's proximity to the Inner City and the presence of Gardenvale Station will appeal to some businesses that have some economic relationships to the inner city.

Future opportunities for this centre include:

- Location in close proximity to train station provides opportunities to encourage medium/high density development.
- Commercial office development likely to remain constrained due to small critical mass, however Martin's Street's proximity to the Inner City will be an advantage for attracting some small businesses.

FIGURE 76 MARTIN STREET TRADE AREA



FIGURE 77 MARTIN STREET RETAIL DEMAND FORECAST

Store Type	RTD	Current Supply	2014		2021		2031	
			Demand	Expansion Need	Demand	Expansion Need	Demand	Expansion Need
Supermarket and Grocery Stores	\$10,800	408	400	-	400	-	400	-
Specialty – Food & Drink	\$7,200	1,506	1,500	-	1,600	100	1,700	200
Specialty – Non food	\$6,600	3,216	3,200	-	3,500	300	3,700	500
Hospitality	\$5,800	567	600	-	600	-	600	100
Total		5,697	5,700	-	6,200	500	6,500	800

Source: SGS Economics and Planning 2015, Bayside City Council

FIGURE 78 MARTIN STREET COMMERCIAL FLOORSPEACE FORECAST

Year	Commercial Employment	Estimated Supply (m ²)	Floorspace Required (m ²)	Expansion Need
2014	215	3,402		
2021	245	3,402	3,900	500
2031	299	3,402	4,300	900

Source: SGS Economics and Planning 2015, Bayside City Council

9 KEY ISSUES AND OPPORTUNITIES

The analysis presented in Sections 1 to 8 of this report has collectively documented the existing and future status of Bayside's Activity Centres and Employment Precincts. Through this analysis, a number of key issues were uncovered. Some of these issues are specific to individual locations, whilst others are relevant to all employment lands across the municipality. Regardless, we consider all of these issues to be of interest to the broader community as they will require further thought and discussion before any strategic decisions are made on how best to address them.

It is important to recognise that each issue presents challenges but also opportunities for the municipality. How they are managed and leveraged will be critical to the future success of the municipality and become a key focus of the strategy.

9.1 Overarching issues and opportunities

Planning for a new economic structure

The ever changing economy of Melbourne, and Australia, has led to significant changes to the structure of employment in recent years. Over a long period, the number of low skilled industrial jobs has decreased, with jobs growth being driven by knowledge based jobs. However in Bayside, this loss in industrial jobs has been more than offset by a widespread increase in commercial employment – particularly in the professional services and health sectors.

These changes to employment have not been limited to the Bayside Business Employment Area. The number of commercial offices has also grown across the Activity Centres – particularly in Bay Street. There has also been an increase in the number of home based businesses across residential areas of Bayside.

There is genuine diversity to the commercial floorspace and employment growth in Bayside. The Bayside Business Employment Area is home to corporate offices of primarily Business to Business firms, whilst the Activity Centres have accommodated an increasing number of Business to Consumer firms (i.e. banks, accountants, real-estate agents), particularly in centres such as Bay Street, Brighton.

Growth in the professional services sector is an ongoing opportunity for Bayside. Even without significant intervention from Council, this sector is likely to continue to increase in prominence. Nonetheless some well-tailored solutions and strategies for specific locations and the type of employment in question would be beneficial, and should enhance the job creation prospects of businesses and investors.

Harnessing a rapidly growing health sector

The health sector has experienced significant expansion right across Metropolitan Melbourne, and is expected to continue its emergence as the major metropolitan-wide industry growth sector of the 21st century. As a predominantly population serving industry, the jobs tend to be created where the population is growing. However, areas with either an ageing or affluent population are lucrative propositions for sub-regional specialised health businesses. Bayside certainly falls into the latter category. It comes as no surprise that the municipality is host to some emerging health clusters anchored by sub-regional hospitals in Sandringham and Church Street, Brighton.

As hospitals tend to attract ancillary medical specialists and services, these locations could serve as medical clusters in the future. In the case of the Cabrini Hospital in Brighton for instance, there are some medical related businesses which have been established at the north-western end of the Church Street Activity Centre.

The local population of Bayside also serves a diverse range of local health practitioners and allied health workers. These workers locating in the municipality is aligned with population growth, and many of these businesses and employees are either located in residential neighbourhoods or Activity Centres.

Health care employment is expected to continue growing rapidly over the next 15 to 20 years, therefore the prospect of developing small medical clusters around the local hospitals is worth exploring and facilitating in centres such as Sandringham and Church Street.

Understanding the impact of the 2013 VPP commercial zone reforms in Bayside

New Commercial 1 and Commercial 2 Zones were introduced into the Victorian Planning Provisions by Amendment VC100, gazetted on July 15, 2013⁹. In all cases, land zoned Business 1, Business 2 and Business 5 was converted to the Commercial 1 Zone. Land zoned Business 3 and Business 4 was converted to the Commercial 2 Zone.

The new **Commercial 1 Zone (C1Z)** was intended to “create vibrant mixed use commercial centres for retail, office, business, entertainment and high density residential uses”. In contrast to the previous business zones, the Commercial 1 Zone removes the need for approvals for certain activities and removes certain floor space restrictions, notably:

- **Dwellings** are as-of-right, provided frontage at ground floor level does not exceed two metres;
- **Accommodation** uses (other than a correctional facility) are as-of-right, allowing uses including aged care facilities, group accommodation, residential colleges, residential villages and hotels;
- **Office** use is as-of-right and floor space restrictions are removed; and
- **Retail Premise** use is as-of-right and the previous floor space restrictions on retail premise use are removed.

From a developers’ perspective in Bayside’s Activity Centres, the introduction of dwellings as an as-of-right use is the most significant change to this zone. As discussed in Section 8 of this report, shop top housing should be encouraged in most of Bayside’s Activity Centres as a method to increase residential densification in those areas.

Section 8 also forecasts growing demand for commercial office floorspace in most Activity Centres. Some Activity Centres such as Church Street, are constrained in terms of land supply. Along with low vacancy rates for retail frontages, opportunities for new office establishments could become limited. Shop top offices should therefore be considered by Council as an important means of accommodating more commercial employment in these Activity Centres.

Recent SGS research in inner and middle ring Activity Centres across Metropolitan Melbourne suggests that the Commercial 1 Zone is generally delivering minimal quanta of commercial office floorspace, with a combination of ground floor retail and multiple storeys of dwellings in the upper floors the most common outcome by far. Like most other Councils, Bayside will now need to consider how a more balanced composition of offices and dwellings can be delivered in new developments.

The new **Commercial 2 Zone (C2Z)** aims to “develop commercial areas for offices and appropriate manufacturing and industrial uses that do not affect the safety and amenity of adjacent sensitive uses”.

⁹ Note that there were also some significant changes to the Residential Zones, however these changes are generally not relevant to employment outcomes in Bayside and are therefore not discussed in detail here.

Much like the Commercial 1 Zone, several uses that previously required a permit are now as-of-right. More specifically:

- **Accommodation** uses (other than dwellings and correctional facilities) are now permissible. These uses include aged care facilities, group accommodation, residential colleges, residential villages and hotels;
- **Office** use is as-of-right and floor space restrictions are removed (previously office floor space was dictated by the schedule to the zone or could not exceed 500 sqm);
- **Food and Drink Premises** (up to 100 sqm) and **Restricted Retail** uses are as-of-right; and
- **Supermarkets** up to 1,800 sqm (which were prohibited in Business 3 and 4 Zones) are as-of-right on sites possessing access to main roads, and can be adjoined by up to 500 sqm of additional shop use

In the Bayside Business Employment Area the Commercial 2 Zone was originally reflective of – and has continued to facilitate – an emerging mix of corporate offices and bulky goods retailing, along with some ‘legacy’ low impact industrial activities which remain in the area. In a business as usual scenario this zoning is the correct zone for the area.

The zone has also enabled the development of a 1,800sqm ALDI supermarket on Bay Road. Although this raises some concerns around it being an out-of-centre standalone supermarket development, the property market indicators would suggest that it is a one-off scenario which is unlikely to be repeated elsewhere. The proximity of the C2Z land near Southland also means that in general, only restricted retailing is competitive in this location.

Overall the Commercial 2 Zone is assessed as being generally reflective of the mix of activities in the Bayside Business Employment Area and should help to facilitate future growth and development of the area – see below for further discussion on this precinct’s opportunities.

9.2 Bayside Business Employment Area

The evolution of the BBEA

The BBEA was traditionally – and to some extent still is – a light industrial park containing a range of manufacturing activities. However over the past decade the area has undergone a gradual change as retail, commercial and institutional activities have established in the precinct in large numbers, occupying sites which were vacated by the older industrial uses.

As a result of these changes, the BBEA is now a multi-dimensional employment area that accommodates population serving bulky goods and corporate offices in addition to the traditional core manufacturing businesses. More specifically, the area contains bulky goods retailing, aged care, service industries and the professional services. These activities combine to provide services for businesses and (to a lesser extent) residents in a broad sub-region covering Bayside, Glen Eira and Kingston.

Among this diverse set of activities, this report has identified the professional services residing in corporate offices as having the greatest growth potential in the BBEA. These Business to Business firms are in growth industries of the 21st Century, with Architectural, Engineering and Computer Systems/Design sub-industries all having a bright future in the modern Australian economy.

Furthermore, these activities can be potentially leveraged to attract, develop and eventually evolve an advanced manufacturing cluster. As articulated in Section 7, the word ‘manufacturing’ is deceptive in that the majority of jobs in *advanced manufacturing* would be more like the professional services in terms of land use and built form requirements. The investment requirements and employment outcomes are discussed further below (Options to evolve the BBEA).

Continued pressure from a strong residential market

Whilst pressure for residential development is strong almost everywhere in Bayside (and indeed across Metropolitan Melbourne), the BBEA is where the most compelling opportunities exist for developers. Given that it is currently a light industrial business park, the land value would increase significantly if there was any indication that Council would be supportive of residential development in the area.

It should also be noted that because of the desirable location of the BBEA (within the existing urban footprint, adjacent to a golf course (open space) and in close proximity to Southland Shopping Centre) some of the locational prerequisites for a potential residential area are met. These factors will continue to drive demand for housing in what could become a highly attractive part of Melbourne to live.

Any housing growth would support the local retail and hospitality sector as well other population serving businesses. Most of this demand would likely be absorbed by a combination of Southland Shopping Centre and a new Neighbourhood Activity Centre in or near the precinct.

Options to evolve the BBEA

The BBEA possesses a relatively low but also handy level of vacancy which is conducive to attracting new businesses at competitive rents. In a business as usual scenario, it is expected that this precinct would continue to deliver improved employment outcomes over the long term under the existing set of planning controls.

Nonetheless Bayside City Council can explore alternative options to ensure that in the long term, the BBEA is best positioned to deliver maximum benefits to the community. The four options are summarised briefly here, with more detail on each individual option found in Section 7.

1. The **Business as Usual** option assumes that the BBEA will continue to grow in line with broader macro-economic trends and that appropriate investments (in transport and other social infrastructure) will be made in the future to ensure that the projected employment patterns can be achieved. This option is not to be confused with a 'Do Nothing' approach, as Business as Usual implies that Council will continue to improve the area in line with the expected growth in demand for employment floorspace.
2. The **Advanced Manufacturing** option where Council envisions a 21st century employment precinct which is globally competitive and provides employment opportunities of the highest calibre, to not only its local residents, but also residents of the surrounding region. Businesses attracted to the precinct would become key components of the future supply chain and generate significant wealth for the local and regional economy. This option would require significant investment and partnerships to be successful.
3. The **Residential Redevelopment** option channels the housing demand mentioned above to convert the entire BBEA into a residential area, along with an appropriate provision of neighbourhood scale retail and community service facilities. Developers would also be encouraged to develop commercial floorspace. Significant levels of office development is assessed as being unlikely in this scenario, as demand for commercial floorspace would be limited to population serving businesses.
4. The **Hybrid Development** option combines residential and commercial land uses within the BBEA. This could either be achieved through rezoning a portion of the BBEA, or by mandating an employment floorspace outcome on sites where rezoning applications are sought. Whilst the second of these methods could be feasible for larger sites in the BBEA (smaller sites would require amalgamation to facilitate significant development), the first method provides greater certainty for businesses, landowners and developers alike.

Each of these options will deliver distinctly different economic outcomes for Bayside both in terms of the total amount of private sector investment as well as the industry composition of such investment and employment outcomes. Although the third and fourth options would appear to deliver relatively

reduced employment benefits, they would allow the BBEA to play a much greater role in accommodating housing and population growth in Bayside.

Ultimately, all of these options present trade-offs for the local community which are summarised in the matrix below. When considering trade-offs, the future outcomes (Business to Business jobs, Business to Consumer jobs, more dwellings) are not the only part of the equation; Council and the community must also be aware of all costs, as well as the level of potential risks involved.

FIGURE 79 TRADE OFFS OF EACH OPTION – CONCEPTUAL FRAMEWORK

	Measures	Option 1 – Business as Usual	Option 2 – Advanced Manufacturing	Option 3 – Residential Redevelopment	Option 4 – Hybrid Development
Outcomes	B2B Employment	✓✓✓	✓✓✓✓✓	-	✓
	B2C Employment	✓✓	✓	✓✓✓	✓✓
	Housing provision	-	-	✓✓✓✓✓	✓✓✓
Management	Public Investment	✓	✓✓✓✓✓	✓✓✓	✓✓
	Risk	✓	✓✓✓✓	✓✓	✓✓✓

In terms of investment, the advanced manufacturing option would require significant state and local government commitment for success. However, rezoning and residential redevelopment of the BBEA would place additional demand on community facilities, social services and other local government investments. That said, much of the cost can potentially be recouped through development contributions and levies.

A similar equation applies to risk. International experience has shown that, more often than not, ambitious government led employment precinct plans fail to deliver the intended outcomes. This is due to investment and business attraction intrinsically swimming against the tide. There are a multitude of reasons why certain businesses or institutions are not already in this location and not all of these reasons are easily addressed. On the other hand, residential redevelopment of such a large precinct also carries significant risks, as all the businesses may not leave and interface issues can remain unresolved for years.

9.3 Activity Centres

An expansive retail system

Bayside's Activity Centres possess an eclectic variety of retail services which differ significantly from the average MAC or NAC across the rest of Victoria. Most of Bayside's centres possess large numbers of specialty stores, with some centres also exhibiting a concentration in a certain type of specialty store. It is these smaller local retailers which truly create jobs and reinvest back into the community.

It is expected that over the next five to ten years, the hospitality and arts/entertainment sector will be one of the fastest growing sectors of the broader retail economy. Although Bayside is not necessarily the pre-eminent location for these type of activities, an expected change in demographics of the local residents could create more demand for these types of businesses.

Centres such as Church Street and Bay Street can be considered exemplary examples of an Activity Centre, through the former's low vacancy rate and the latter's significant provision of non-retail service businesses.

Retail and hospitality will continue to grow and evolve; there are numerous sub sectors which each experience different drivers of growth. Retail is generally a dynamic industry that thrives on innovation and needs to respond quickly to changes to consumer preferences and technological change.

One example in the retail industry is the emergence and growth of online retailing. Online retailing and its associated omni-channel distribution/marketing system is real and means that all stores will need to innovate and compete harder in the future to stay current. Council should facilitate that process through its economic development team. Innovative place making strategies will help. Innovation in these areas is also important to the hospitality, arts and entertainment sectors.

This creates a slightly uncertain future, therefore Council needs to be cautious in not advocating for too much new retail floorspace than is necessary, as any prolonged periods of oversupply could be detrimental to the character of these centres.

The Activity Centres are also proving attractive locations for non-retail population services and fulfil an important community role. The centres provide a place for the community to meet and socialise.

Clear and agreed policy regarding the future of these centres, in the context of the anticipated housing and economic growth, is required.

The relationship between retail system development and employment

Retail employment occurs differently between large and small retailers. Larger stores tend to employ more staff for every dollar of turnover due to longer operating hours and critical mass. However, smaller stores are likely to develop the all-round entrepreneurial skills of its staff and the business owners themselves.

Recent trends have seen younger workers being replaced by automation, whilst the growth in online retail is resulting in more freight and logistics related employment. The latter has led to more opportunities in industrial areas – which tends to present better work conditions for employees than those observed in retail stores. Freight and logistics businesses are often occupying the land of ex-manufacturing businesses.

The implication of this change is that as an inner to middle suburban municipality, the Bayside community will almost always be better off encouraging more slow and cultural retailing which tends to employ individuals in a manner which encourages entrepreneurialism and innovation.

These forms of retailing also generate positive externalities in the form of better social interaction (through cafes for example) and more opportunities for cultural engagement (through artisan activities for instance). The profits from such enterprises are also more likely to remain within the local community, compared to the major chains in fast retailing which ship their profits back overseas/Interstate.

Through our observations of Bayside's Activity Centres, we have concluded that Bayside has succeeded in delivering this outcome almost everywhere.

Opportunities for retail investment

Analysis shows that there is scope for further, incremental investment in neighbourhood level shopping facilities across Bayside's Activity Centres as households grow and their incomes increase. This additional demand is spread across large areas and, typically, is insufficient to support an increase in floorspace within existing neighbourhood centres or any new retail centres.

In Section 8, SGS identified the extra floorspace which can be accommodated in each Activity Centre in Bayside; this is summarised in Figure 80 below. Whether such floorspace is actually added or not

depends on many factors, including the indivisibility of certain retail formats. For example, supermarket operators may not invest until certain thresholds of available demand are passed.

The availability of sites for new investment can also be an issue. This is a common problem in established areas where the existing surroundings are not easily changed. In such cases, overtrading will usually result until Council and/or the local landowners find a solution. Overtrading in small scales is healthy and can directly lead to greater profits for retailers. However large scale overtrading will lead to overcrowding of stores as well associated parking problems¹⁰.

FIGURE 80 OPPORTUNITIES FOR RETAIL FLOORSPEACE EXPANSION BY 2031

Activity Centre	Supermarket and Grocery Stores	Specialty – Food & Drink	Specialty – Non food	Hospitality	Total floorspace increase by 2031
Highett	1,100	3,300	6,600	3,900	14,900
Bay St	2,500	2,100	3,700	2,200	10,400
Church St	700	300	4,000	1,600	6,700
Hampton St	400	1,200	3,600	1,100	6,300
Sandringham	500	300	700	800	2,300
Black Rock	100	100	500	300	1,100
Beaumaris	100	300	300	200	800
Martin St	-	200	500	100	800
Total AC	5,400	7,800	19,900	10,200	43,300
Dispersed (estimate)	-	2,643	529	2,114	5,285
Total Bayside	5,400	10,443	20,429	12,314	48,585

Source: SGS 2015

Opportunities for commercial office investment

Commercial offices in suburban Major and Neighbourhood Activity Centres often have a similar role in the economy to retail shops in the sense that they both play a role in serving the population. The major difference between these offices and the retailers is that there are no trade flows associated with the selling of products.

Much like retailing, the opportunities for floorspace and employment growth are best described as incremental, with the three largest centres expected to further consolidate their dominance in the hierarchy for non-retail commercial floorspace.

As mentioned previously however, the Commercial 1 Zone does potentially create some issues for Council regarding the means by which commercial floorspace expansion is accommodated. The Commercial 1 Zone also has the potential to cause displacement of existing offices in Activity Centres, although this mostly occurs when sites are redeveloped.

Figure 81 below presents the commercial floorspace growth expected across Bayside's Activity Centres. These numbers have been contextualised against commercial floorspace growth which is expected to

¹⁰ Note that parking problems can be just as significant an issue if new stores are added, as those stores are also likely to necessitate the provision of more parking spaces.

occur in the BBEA (under a business as usual scenario) and in dispersed locations (mostly through home based offices). Whilst the BBEA will accommodate mostly corporate offices (as distinct from population serving offices in Activity Centres), some home offices may be population serving and could therefore be 'lured' into Activity Centres if there is sufficient office floorspace available at competitive rents.

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FIGURE 81 OPPORTUNITIES FOR COMMERCIAL FLOORSPACE EXPANSION BY 2031

Activity Centre	Projected Commercial Employment by 2031	Estimated Supply in 2015 (m ²)	Floorspace Required by 2031(m ²)	Expansion Need by 2031
Bay St	970	14,627	16,900	2,200
Hampton St	1,030	8,040	9,700	1,600
Church St	780	9,752	11,200	1,500
Martin St	299	3,402	4,300	900
Sandringham	775	5,589	6,300	700
Beaumaris	563	3,037	3,600	600
Highbett	574	1,553	1,900	400
Black Rock	956	2,511	2,700	200
Total AC	5,947	48,511	56,600	8,100
BBEA	1,876	66,929	90,411	23,482
Dispersed (estimate)	1,819	81,090	94,027	12,937
Total Bayside	9,642	196,530	241,038	44,519

Source: SGS 2015

Considerations for managing advance investment

While the analysis in this report measures the current and prospective retail demand and supply balance in Bayside according to industry norms, particularly with reference to 'standard' RTDs, private investors may have their own reasons for 'running ahead' of nominal thresholds for new retail floorspace developments. The question arises as to whether and when Council should intervene in these private sector decisions to invest earlier than suggested in this report.

On the one hand, such decisions offer catchment communities early access to an enhanced retail offering, potentially lowering prices and increasing the product/service choice. In some circumstances, however, early development, even if located within the parameters of the planned hierarchy, can have unwanted side effects, including stunting the development of competing centres in the wider catchment.

Broadly speaking, Council's deliberations on this issue, as in all other planning questions should be subject to the net community benefit test. This would assess whether the benefits to the community as a whole from the advance investment going ahead would outweigh the costs, compared to the outcome from a reasonable base case where investment occurs 'on schedule' as per the supply forecasts set out earlier in this section.

There are varying interpretations about how the net community benefit test might be applied, with an impact assessment the commonly used approach. But one thing is certain; a clearly planned hierarchy assists greatly in specifying the base case against which an advance retail investment might be appraised.

In terms of commercial offices in Activity Centres, encouragement of office floorspace developments generally result in a positive outcome for the community, provided that developers are realistic in the levels of demand which can fill the space that they are providing, and can provide Council with some indication of the types of businesses they wish to attract.

APPENDIX A – POPULATION PROJECTIONS

Area	2006	2011	2016	2021	2026	2031	2036
<i>Beaumaris</i>							
Population	12,498	13,034	13,878	14,265	14,402	14,517	14,690
Change		536	844	387	137	115	173
Ave. Annual Growth Rate		0.8%	1.3%	0.6%	0.2%	0.2%	0.2%
<i>Black Rock</i>							
Population	5,994	6,307	6,724	7,013	7,062	7,088	7,159
Change		313	417	289	49	26	71
Ave. Annual Growth Rate		1.0%	1.3%	0.8%	0.1%	0.1%	0.2%
<i>Brighton (Balance)</i>							
Population	18,230	19,066	19,887	20,292	20,487	20,672	20,964
Change		836	821	405	195	185	292
Ave. Annual Growth Rate		0.9%	0.8%	0.4%	0.2%	0.2%	0.3%
<i>Brighton East</i>							
Population	15,073	15,662	16,514	16,953	17,159	17,397	17,729
Change		589	852	439	206	238	332
Ave. Annual Growth Rate		0.8%	1.1%	0.5%	0.2%	0.3%	0.4%
<i>Cheltenham</i>							
Population	3,252	3,437	3,417	4,196	4,431	4,804	5,317
Change		185	-20	779	235	373	513
Ave. Annual Growth Rate		1.1%	-0.1%	4.2%	1.1%	1.6%	2.0%
<i>Hampton (Balance)</i>							
Population	10,062	10,721	10,786	10,880	11,066	11,211	11,399
Change		659	65	94	186	145	188
Ave. Annual Growth Rate		1.3%	0.1%	0.2%	0.3%	0.3%	0.3%
<i>Hampton East</i>							
Population	4,450	4,940	5,062	5,308	5,577	5,995	6,466
Change		490	122	246	269	418	471
Ave. Annual Growth Rate		2.1%	0.5%	1.0%	1.0%	1.5%	1.5%
<i>Highett (Balance)</i>							
Population	4,076	4,404	4,543	4,553	4,503	4,472	4,478
Change		328	139	10	-50	-31	6
Ave. Annual Growth Rate		1.6%	0.6%	0.0%	-0.2%	-0.1%	0.0%
<i>Sandringham (Balance)</i>							
Population	7,115	7,390	8,980	10,475	11,035	10,998	11,023
Change		275	1,590	1,495	560	-37	25

Ave. Annual Growth Rate	0.8%	4.0%	3.1%	1.0%	-0.1%	0.0%	
Bay Street Activity Centre							
Population	1,791	2,195	2,860	3,370	3,529	3,750	3,988
Change	404	665	510	159	221	238	
Ave. Annual Growth Rate	4.2%	5.4%	3.3%	0.9%	1.2%	1.2%	
Church Street Activity Centre							
Population	1,919	2,094	2,322	2,444	2,587	2,824	3,083
Change	175	228	122	143	237	259	
Ave. Annual Growth Rate	1.8%	2.1%	1.0%	1.1%	1.8%	1.8%	
Hampton Activity Centre							
Population	2,237	2,347	2,795	4,196	4,884	5,192	5,489
Change	110	448	1,401	688	308	297	
Ave. Annual Growth Rate	1.0%	3.6%	8.5%	3.1%	1.2%	1.1%	
Highett Activity Centre							
Population	2,224	2,402	2,952	4,222	4,801	4,905	5,021
Change	178	550	1,270	579	104	116	
Ave. Annual Growth Rate	1.6%	4.2%	7.4%	2.6%	0.4%	0.5%	
Sandringham Activity Centre							
Population	1,873	2,120	2,402	2,587	2,813	2,970	3,143
Change	247	282	185	226	157	173	
Ave. Annual Growth Rate	2.5%	2.5%	1.5%	1.7%	1.1%	1.1%	

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