

STRATEGY FOR A VIBRANT LOCAL ECONOMY IN THE INNER SOUTH EAST REGION

FEBRUARY 2020

PREPARED FOR INNER SOUTH EAST METROPOLITAN PARTNERSHIP

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INNER SOUTH-EAST
METROPOLITAN
PARTNERSHIP

The Bunurong and Wurundjeri people of the Kulin Nation are the Traditional Owners of the lands that now make up the Inner South-east Metro Region of Melbourne.

Reaching from Kew to the beaches of Brighton, the Inner South-east includes the inner suburban LGAs of Stonnington, Glen Eira and Boroondara, and coastal Bayside.

The high density of heritage-listed structures and gardens, alongside modern universities, retail hubs, and businesses, is a testament to both the long history and the ongoing prosperity of the Inner South-east Region.

The Victorian Government recognises the strategic leadership role that Local Government plays in securing Victoria's liveability, sustainability and prosperity and considers councils to be critical stakeholders in the Metropolitan Partnerships.

PROJECT NUMBER:	2480
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VERSION:	200529 v3

CONTENTS

1 Project Background	4	7 Study observations	75
1.1 Introduction.....	5	7.1 There is mismatch between local employment and the skills/occupations of local residents in the region.....	76
1.2 Project Background.....	6	7.2 More can be done to support the space needs of startups, scaleups and SMEs, particularly in the PSTS sector.....	77
2 Melbourne’s spatial employment framework	7	7.3 The different commercial drivers of developers and tenants need to be understood and addressed.....	80
3 Economic Profile of the region	9	7.4 Vacant retail spaces represent an opportunity for the region.....	81
3.1 Setting the scene.....	10	7.5 There is a need to create identifiable business precincts in the region.....	82
4 Profile of representative case studies	18	7.6 Apartment development will continue to complete with commercial development in activity centres.....	85
4.1 Chapel Street, Windsor & Prahran... CITY OF STONNINGTON.....	20	7.7 Opportunities for the creation of commercial buildings are limited by other factors as well.....	86
4.2 Glenferrie Road, Hawthorn... CITY OF BOROONDARA.....	27	8 Recommendations	87
4.3 Carnegie Activity Centre... GLEN EIRA CITY COUNCIL.....	33	8.1 Planning and policy initiatives.....	89
4.4 Monash Caulfield... GLEN EIRA CITY COUNCIL.....	39	8.2 Other economic development programs.....	91
4.5 Bay Road, Cheltenham... BAYSIDE CITY COUNCIL.....	45	APPENDICES	92
5 Performance assessment of precincts against the Enterprise Precinct Framework	51	APPENDIX 1- PERFORMANCE ASSESSMENT AGAINST THE ENTERPRISE PRECINCTS FRAMEWORK.....	93
6 Other Case Studies	65		

1 Introduction

1.1 INTRODUCTION

This project has been commissioned by the Inner South East Metropolitan Partnership to provide an evidence base to support the revitalisation of local economic precincts in the Inner South-east.

The purpose of this project is to develop evidence-based recommendations for State and local governments, to support more opportunities for people to work locally and to establish new businesses in the Inner South-east region.

The scope of the project is to define the strategic economic position of the region, adopt a precinct orientated approach to understanding the challenges & opportunities for growing businesses and employment, and identify potential actions for government to pursue in order to support more vibrant local economies in the Inner South-east.

The project is intended as a background report which can be used as a basis for the preparation of future economic development policies and actions. It incorporates the following:

- An overview of Melbourne's spatial employment framework.
- An economic profile of the region.
- A profile of a representative set of local retail/commercial precincts.
- A summary assessment of performance of each precinct against the Enterprise Precincts Framework developed as part of the State Government's "Unlocking Enterprise" policy statement.
- A review of relevant case studies from other locations to inform the development of strategies and initiatives.
- Observations from the research, and recommendations for further action.



Figure 1. Factors driving the success of enterprise precincts (Unlocking enterprise in a changing economy, DELWP, 2018)

1.2 PROJECT BACKGROUND

Since its inception, the Inner South-east Metropolitan Partnership has heard consistent themes from businesses and residents within the region regarding to weaknesses within the local economy – including disconnectedness between local job opportunities and job seekers, an increased need to travel outside of the region for work, high wealth inequality, young people not adequately prepared to meet future economy needs and growing isolation for people working from home.

These issues reflect in part changes in the region's economic environment, as well as various spatial limitations in the way that economic growth is catered for within the region. For example:

- Only 32% of residents currently work within the region, creating the lowest workforce containment levels in metropolitan Melbourne. There are very limited opportunities for businesses to establish within the region because existing commercial floorspace is very limited, and future opportunities are constrained by residential development out-competing commercial development in prime locations.
- From a regional perspective, the inner South-east region sits between the Inner, Southern and Eastern regions, each of which contain significant existing employment, and significant potential for growth. This places the inner-south east region at a spatial disadvantage, and it also creates congestion and productivity losses as significant numbers of workers travel in and out of the region for work every day.

- Many precincts in the Inner South-east are currently retail-focussed, and many are also experiencing high vacancy rates with confidence and spending undermined by globalisation, advances in technology and disruption to existing business models. For example, Chapel Street in South Yarra has experienced recent vacancy rates of 10.7% up from 8% in 2016. Vacancy also increased in the historically better performing areas such as Church Street in Brighton which almost doubled to 4.1% from a very low 2.3%.

Notwithstanding these challenges, the region is also well placed to transition into a future economy. While some key commercial precincts across the region have been experiencing decline in retail activity, they remain highly competitive in terms of access to high quality public realm, health and education infrastructure, housing diversity and key transport modes and networks. Many of these places offer a level of amenity and accessibility that can support business investment and attract workers.

The region also has ready access to a highly skilled workforce, with an average 63% of the working population having attained a diploma, degree or higher qualifications; far above the Victorian and metropolitan Melbourne averages.

Creating increased opportunities to work locally can provide more flexible options for the students and young people to start up business as well as support the region's large aging population to consider transition to retirement over time, rather than disconnecting completely from the workforce.

This project seeks to investigate and test the opportunity for the region to make greater use of past investments in connectivity and amenity to drive stronger economic and liveability outcomes for the region while alleviating broader network congestion.

The project considers the strategies needed to support reorientation towards new economy jobs, increasing demand for flexible commercial spaces such as co-working facilities and provide opportunities for boutique and creative industries and more 'specialised' businesses to locate in the region.

2 Melbourne's spatial employment framework

The jobs and investment framework for the eastern and southern part of metropolitan Melbourne comprises the following elements:

- The Central City
- National Employment and Innovation Clusters at Monash and Dandenong
- Metropolitan Activity Centres at Box Hill, Dandenong and Frankston
- A series of major health and education precincts
- A network of Major and Neighbourhood Activity centres
- State and regional significant industrial precincts

The Inner South East Region is located in between the Inner, Southern and Eastern regions. It contains relatively few metropolitan-scale economic precincts- Monash and Swinburne Universities are the two major education anchors in the region, and there is a rich network of Major and Local Activity centres across the region.

Many of the Activity Centres within the region have a high amenity, and are located within communities that have high socio-economic status and highly skilled and educated workers.

The Prahran/South Yarra/Windsor and (to a lesser extent) the Hawthorn – Glenferrie Road have a larger employment base and therefore a more regional economic role

However, the focus of most of these centres is to serve the convenience retail, health and recreational needs of the populations within their catchments.

Because of these spatial and socio-economic characteristics, a significant percentage of workers who live in this region commute to locations outside of the region for work.

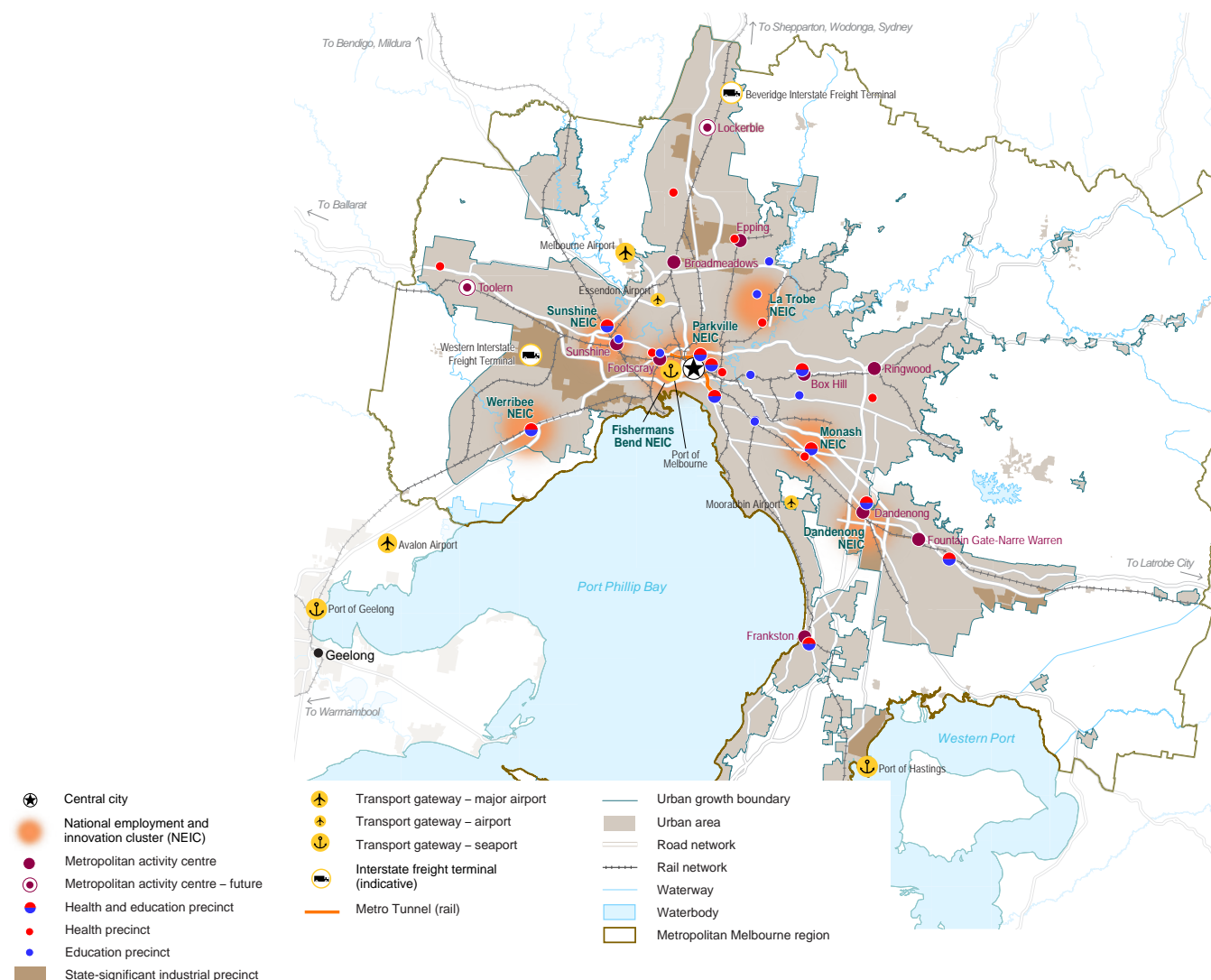


Figure 2. Plan Melbourne Plan 3 - Jobs and Investment

3 Economic Profile of the region

3.1 SETTING THE SCENE.

Melbourne's recent strong population and economic growth has been largely driven by increased international and interstate migration, which has stimulated residential construction activity and demand for a range of goods and services. With net interstate migration declining from its 2017 peak (Fig 3) and overseas migration largely reliant upon the state's continued success in attracting international students, there is a need to ensure the Victorian economy is sufficiently diverse to withstand any future slowing in population growth.

Apartment construction has dominated building activity across Melbourne over much of the last decade (Fig 4), and there has been limited new office development to

support the growing services sector. In recent times this has resulted in a tightening of the commercial office rental market, the reduced availability of office space and increased rents in the central city. There is also evidence that this is resulting in a spillover of demand for commercial space in Melbourne's inner suburbs.

Continued growth of the services sector is dependent upon ensuring an increasing of supply of office space in locations close to where workers live and which supports the productivity of a new generation of businesses. This is a priority under Plan Melbourne and it is also a priority for the Inner South East Metropolitan Partnership.

Ensuring that this outcome can be a realised requires a detailed understanding of the region's economy and the property market dynamics, as well as the development of planning and other mechanisms that support the growth of commercial floor space, businesses and employment.

Such actions need to promote a balance between residential and commercial office development within activity centres and recognise the ongoing role for industrial zoned land in accommodating office development.

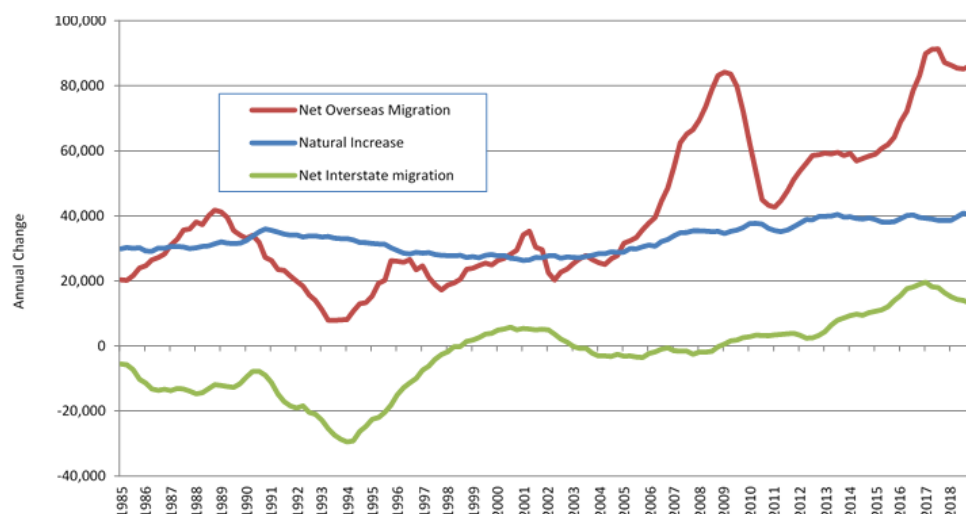


Figure 3. Victoria - Components of Annual Population Growth. Source ABS Cat No. 3101.0

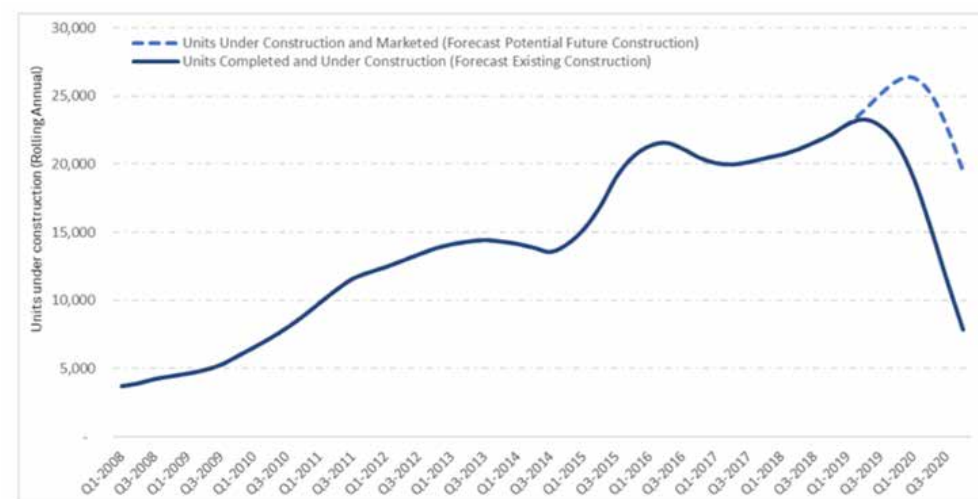


Figure 4. Melbourne - Residential Apartment Construction Activity. Source: Charter Keck Cramer

3.2 POPULATION FORECASTS.

Plan Melbourne forecasts that the Inner South-East region's population will increase to 621,000 by 2031 (Fig 5 and 6). This represents only 6.1% of Melbourne's forecast population growth over 2018-2031.

The average annual growth rate for the region is forecast to be 1.1% over 2018-2031 compared to 1.9% for metropolitan Melbourne with the Inner and Western expected to experience the strongest population growth rates.

	2011	2015	2016 Census	2031	2051	2015-2031	2015-2051
Inner Metro	276,000	325,000	323,479	495,000	695,000	170,000	370,000
Western	746,000	838,000	834,617	1,238,000	1,758,000	400,000	920,000
Northern	853,000	912,000	887,291	1,282,000	1,742,000	370,000	830,000
Eastern	862,000	892,000	874,976	1,032,000	1,282,000	140,000	390,000
Inner South East	499,000	531,000	509,033	621,000	761,000	90,000	230,000
Southern	907,000	982,000	986,012	1,312,000	1,672,000	330,000	690,000
Total	4,145,011	4,482,015	4,415,408	5,982,031	7,912,051	1,500,000	3,430,000

Figure 5. Projected Population Growth by Region (Plan Melbourne). Source: Plan Melbourne, ABS Census

Recent population growth Estimated resident population ¹		
2011	2015	Growth
499,000	531,000	32,000

Future population Victoria in Future (VIF) 2016 ²		
2031	2051	Growth
621,000	761,000	230,000

Figure 6. Recent and Future population growth. Source: Plan Melbourne

3.3 EMPLOYMENT IN THE REGION TODAY.

The Inner South East region supported 193,000 jobs in 2016. It supports a proportionately higher share of jobs than Metropolitan Melbourne in the following sectors (Fig 7):

- Health care
- Education and training
- Professional, scientific and technical services
- Retail trade
- Accommodation and food services

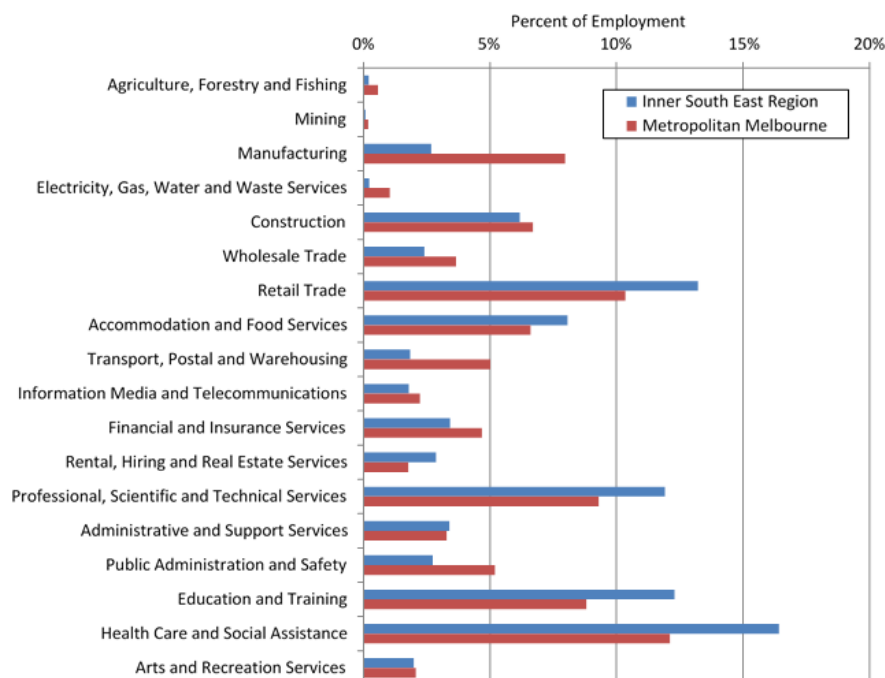


Figure 7. Employment Mix by Industry 2016. Source: ABS

3.4 EMPLOYMENT PROFILE OF RESIDENTS LIVING IN THE REGION.

The top 5 sectors of employment for residents living within the region in 2016 (Fig 9) were:

- Professional, scientific and technical services (38,200 workers)
- Health care and social assistance (32,500 workers)
- Education and training (25,400 workers)
- Retail trade (24,000 workers)
- Finance and insurance services (17,500 workers)

The largest growth in employment for residents living within the region over the period 2011-16 was:

- Health care and social assistance (6,100 workers)
- Professional, scientific and technical services (5,700 workers)
- Education and training (4,300 workers)
- Construction (2,700 workers)
- Arts and recreation services (2,000 workers)

Compared to other regions the Inner South East has a smaller proportion of residents working in their local region (Fig 7).¹ This reflects the region's proximity to employment opportunities within the Inner Metro region, particularly professional head office jobs.

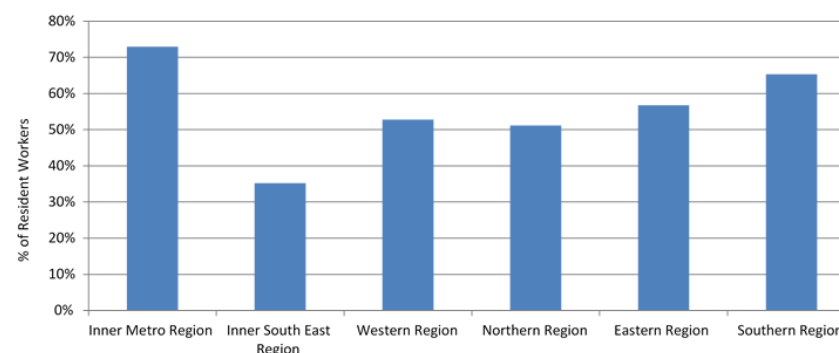


Figure 8. Proportion of Residents Working in Local Region¹. Source: ABS, BWEC

¹ Proportion of working residents working in the region where they live

3.5 EMPLOYMENT IN THE REGION IN FUTURE.

The majority of Melbourne's employment growth over the period to 2031 is expected to be concentrated in the Inner Metropolitan region (288,000 jobs).

Employment in the inner South East region is forecast to growth by 79,000 workers over this period. The Southern metropolitan region is also expected to experience strong employment growth (circa 132,000) jobs over the forecast period.

The largest areas of employment growth in the Inner South East Region will be in Health and Social Assistance, Professional, Scientific and Technical Services (PTST) and Education and Training.

	Number of Resident Workers				
	Bayside	Boroondara	Glen Eira	Stonnington	Total
Agriculture, Forestry and Fishing	149	310	161	200	820
Mining	163	258	155	189	765
Manufacturing	2,436	3,699	3,476	2,103	11,714
Electricity, Gas, Water and Waste Services	395	702	674	470	2,241
Construction	2,933	3,700	3,892	2,446	12,971
Wholesale Trade	1,743	2,727	2,543	1,839	8,852
Retail Trade	4,205	7,734	6,773	5,346	24,058
Accommodation and Food Services	2,346	5,197	4,079	3,893	15,515
Transport, Postal and Warehousing	1,256	1,942	2,003	1,284	6,485
Information Media and Telecommunications	1,288	2,393	1,981	1,765	7,427
Financial and Insurance Services	3,154	5,743	4,249	4,375	17,521
Rental, Hiring and Real Estate Services	1,321	2,124	1,456	1,740	6,641
Professional, Scientific and Technical Services	6,851	12,339	9,425	9,669	38,284
Administrative and Support Services	1,433	2,373	2,525	2,046	8,377
Public Administration and Safety	1,905	3,464	3,135	2,178	10,682
Education and Training	4,541	8,638	7,528	4,692	25,399
Health Care and Social Assistance	5,246	11,674	8,732	6,906	32,558
Arts and Recreation Services	1,238	1,976	1,614	1,625	6,453
Other Services	1,226	2,036	2,287	1,431	6,980
Inadequately described/Not stated	2,160	3,231	2,951	2,345	10,687
Total	45,993	82,260	69,634	56,530	254,417

Figure 9. Resident Employment by industry 2016 Source: ABS

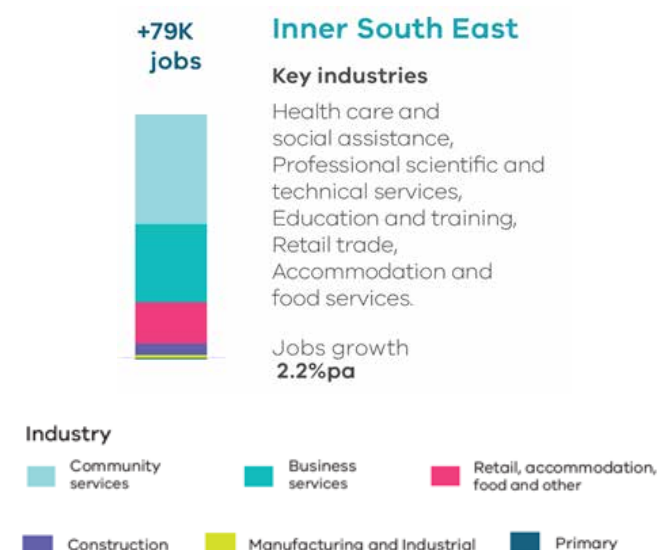


Figure 10. Source: Plan Melbourne Addendum (2020)

3.6 PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES – OPPORTUNITIES FOR GREATER SELF CONTAINMENT AND GROWTH.

The Professional, Scientific and Technical Services (PSTS) sector is a significant generator of employment for residents in the Inner South East region. Employment in this sector grew by 5,700 jobs over the period 2006-16 (Fig 11), and the strongest growth was in the following categories:

- Architectural, engineering and technical services
- Legal and accounting services
- Computer system design & related services

Opportunities exist to achieve greater self-containment of PSTS jobs within the region, as well as to grow the total number of such jobs over time.

	Bayside	Boroondara	Glen Eira	Stonnington	Total ISER*
Professional, Scientific and Technical Services, nfd	46	45	50	59	190
Professional, Scientific and Technical Services (except Computer System Design and Related Services), nfd	-55	-82	-41	16	-155
Scientific Research Services	-5	-19	30	64	78
Architectural, Engineering and Technical Services	52	9	285	348	696
Legal and Accounting Services	363	461	654	603	2081
Advertising Services	13	2	94	236	326
Market Research and Statistical Services	7	-134	28	-31	-130
Management and Related Consulting Services	8	-33	91	7	76
Veterinary Services	8	5	44	0	67
Other Professional, Scientific and Technical Services	37	72	72	58	233
Computer System Design and Related Services	458	467	803	546	2268
Total	933	781	2105	1901	5730

Figure 11. Professional, Scientific and Technical Services – Resident Employment Growth 2006-2016. Source ABS Census

*Total may not equal sum of individual municipalities due to ABS randomly adjusting cells to avoid the release of confidential data

3.6.1 ACHIEVING GREATER SELF-CONTAINMENT OF PSTS JOBS.

Currently around two-thirds or more workers in PSTS jobs leave the region for work every day (Fig 12). The predominant workplace locations for residents who work in PSTS jobs within each of the region's municipalities are:

- The City of Melbourne LGA (38-47% of jobs)
- Within the region itself (27-37% of jobs)
- Within neighbouring LGAs outside the region (15-22% of jobs)

The City of Melbourne will continue to be a very strong attractor for PSTS and other workers. Similarly the municipalities of Port Phillip, Yarra, Monash and Kingston offer considerable opportunities to attract further business investment and employment to due their supply of industrial zoned land for office development activities.

Opportunities exist increase the share of residents who work within their own LGA (or at least within the region itself) by creating more workspace within the region. However, to realise this goal, the region will need to establish its own local competitive advantage by providing high amenity workspaces that cater for PSTS and other workers who wish to work closer to home.

Within the Inner South East and East region, higher profile suburban office precincts have traditional located along the eastern (Prahran/Hawthorn / Camberwell / Box Hill) corridor and south-eastern (Malvern / Oakleigh / Clayton) corridors. The Monash National Employment and Innovation Cluster also accounts for a notably large portion of suburban PSTS employment.

Caulfield and Carnegie have supported relatively little PSTS employment reflecting the competition from eastern suburbs office precincts to the north (Malvern, Glen Iris).

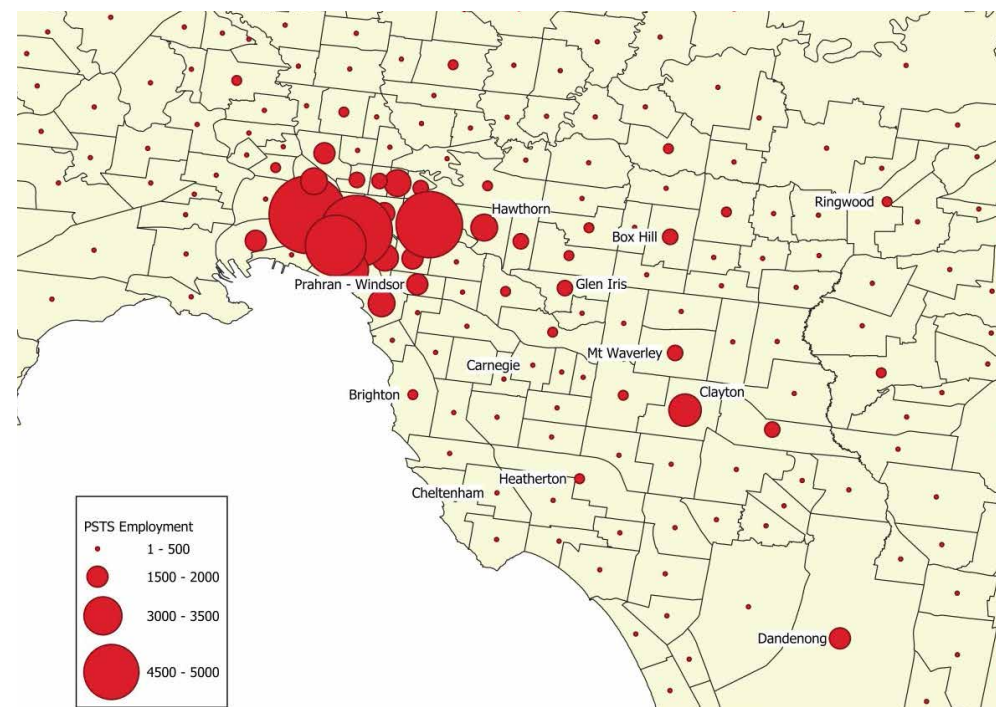


Figure 12. PSTS Employment (Excluding Melbourne CBD and Home Based Jobs) 2016

3.6.2 GROWING EMPLOYMENT FROM WITHIN EXISTING PSTS BUSINESSES IN THE REGION.

The PSTS sector is predominantly made up of small and medium sized businesses with the size of businesses varying across locations (Fig 13). Generally around 50-60% of PSTS businesses do not employ workers other than the business owner with many of these home-based businesses or located in sub-optimal office space such shop-top spaces due to a lack of alternative affordable accommodation options.

Between 40-50% of the residents who work in PSTS jobs in their own municipality work from home.

The provision of additional workspace options within the region will more readily enable PSPT forms to expand their business activities, by relocating from home or from sub-optimal office accommodation into premises that are more suitable for growth.

Suburb	Number of Employees					Total
	Nil	1-4	5-19	20-199	200+	
Prahran - Windsor	419	199	63	16	0	697
South Yarra - East	480	230	83	22	0	815
Hawthorn	380	234	51	26	0	691
Carnegie	177	79	14	0	0	270
Caulfield - North	342	149	17	6	0	514
Malvern East	309	168	24	5	0	506
Cheltenham - Highett (West)	171	105	12	6	0	294
Richmond	684	450	157	57	0	1348
South Melbourne	540	400	164	49	0	1153
Melbourne	2872	1580	587	294	12	5345
Box Hill	187	122	33	12	0	354
Dandenong	178	104	55	26	0	363
Clayton	133	89	49	13	0	284
Ringwood	138	90	34	5	0	267
Brighton	487	290	34	4	0	815

Figure 13. Number of PSTS Businesses by Number of Employees 2018

2 See Birch, D (1981), Acs, & Mueller, P (2006) Hendrickson, L, et. al. (2015)

3.6.3 CAPTURING A LARGER SHARE OF THE FUTURE GROWTH IN PSTS JOBS.

The PSTS sector is forecast to grow very strongly at the national and metropolitan level as well as within the Inner South East region over the coming years (Fig 14). Opportunities exist to capture a larger share of this growth by creating business environmental that meet the needs of the PSTS sector, particularly startup and new businesses.

Research suggests that startup and new firms that survive their first year of growth grow faster than more established firms². Facilitating the growth of startups and new firms in the PSTS sector therefore presents significant opportunities to facilitate jobs growth within the region.

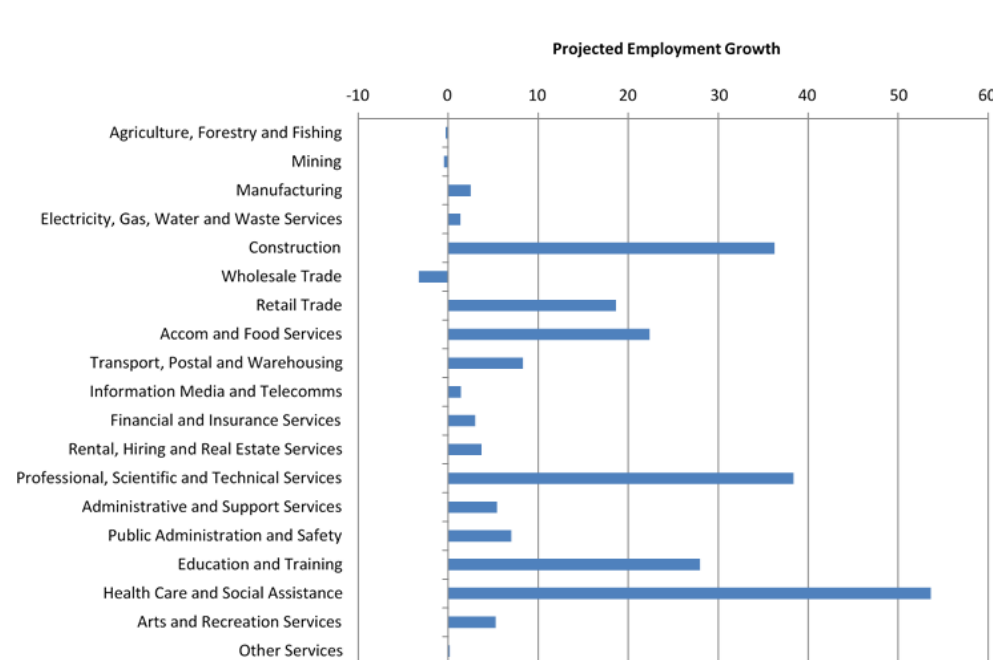


Figure 14. Metropolitan Melbourne: Projected Employment Growth 2018-2023. Source: Commonwealth Department of Jobs and Small Business (Government Labour Market Information Portal).

The Commonwealth Government projects that nationally ICT (Information and Communications Technology) professionals will experience the strongest growth within the PSTS sector over 2018-2023, growing by 16% (Fig 15). This is followed by advertising and marketing professionals (12.5%) with traditional office users such as accountants and solicitors expected to grow much slower.

These sectors include a large proportion of small sized businesses who have significant flexibility to establish in a range of non-CBD locations. Businesses in this sector typically have an interest in non-traditional, less corporate office formats. Many startup and smaller businesses are also price conscious when choosing where to locate – this is because their priority is in creating new products and services rather than investing in premises with a corporate cache.

This often results in secondary office accommodation being a popular choice- suburban office location also offers a more affordable alternative to CBD and other inner city office precincts. However like most businesses, as these firms become more established they generally demand better quality accommodation to attract employees and present a positive image to clients.

This highlights the importance of the Inner South East Region being able to accommodate a diversity of workspace types which cater for startups through to medium and larger established firms.

Occupation	Employment May 2018 ('000)	Projected Employment May 2023 ('000)	Projected Employment Growth Five Years to May 2023	
			('000)	(%)
Accountants	199.2	207.2	8.0	4
Solicitors	64.0	63.0	-1.0	-1
ICT Professionals	275.8	319.8	44.0	16
Architects, Designers, Planners and Surveyors	134.0	145.9	11.9	8
Media Professionals	58.7	61.1	2.4	4
Advertising and Marketing Professionals	74.8	84.1	9.3	12
Total Selected Occupations	806.5	881.1	74.6	9

Figure 15. Projected Employment Growth by Selected Occupation 2018-2023.

Source: Commonwealth Department of Jobs and Small Business (Government Labour Market Information Portal).

4 **Profile of representative case studies**

This chapter contains a profile of five precincts from within the region that are representative of the types of places that currently accommodate businesses and jobs, and that are expected to grow in importance in the future. The five precincts are as follows:

- Chapel Street, Windsor, Prahran and South Yarra
- Glenferrie Road Hawthorn
- Koornang Road Carnegie
- Monash Caulfield
- Bay Road Cheltenham

Each profile contains a snapshot of employment indicators for each precinct, together with an assessment of precinct features, zoning, built form and land use.

The purpose of these profiles is to identify the relevant economic, locational and physical characteristics that influence the current and potential future role of the centre. The profile summarises the business and employment mix in each precinct, as well as information on the transport and amenities, zoning & built form, and the nature of commercial space available within it.

4.1 CHAPEL STREET, WINDSOR & PRAHRAN | CITY OF STONNINGTON

SUMMARY

- Employment is dominated by retail, accommodation and food services, and professional, scientific and technical services reflecting the precinct's role as a regional destination for shopping and eating out, as well as being a recognised office precinct.
- The professional, scientific & technical services (PSTS) sector employs circa 3,000 people. It accounted for an additional 766 jobs over 2011-16.
- Within the PSTS sector, advertising services and computer system design were the largest employers (732 and 578 jobs respectively).
- Employees in the PSTS sector are drawn from across Metropolitan Melbourne, although around 20% live within Stonnington.
- The majority of PSTS companies either do not employ staff or employ between 1-4 staff. Whilst there are far fewer PSTS companies employing 5-19 staff, these are likely to account for a comparable level of total employment.

KEY FACTS

PRECINCT SIZE: 79.8 ha

TOTAL JOBS 16,517

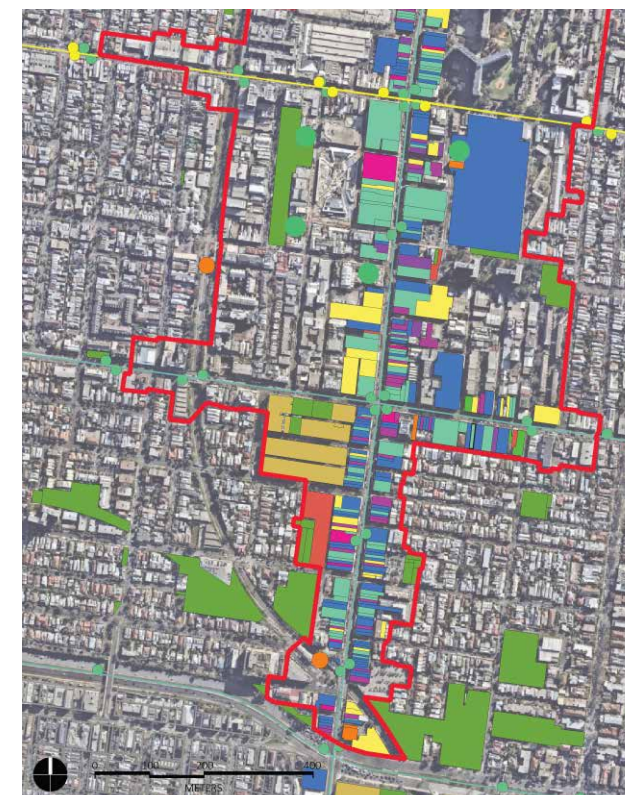
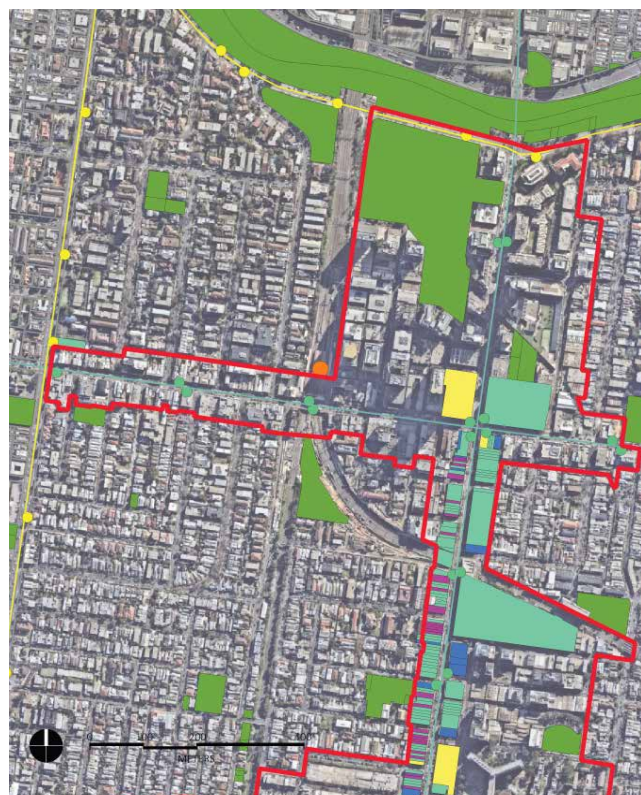
JOB DENSITY 207 per ha

TOP 3 INDUSTRY SECTORS

1. PSTS
2. Accom. & Food Services
3. Retail Trade

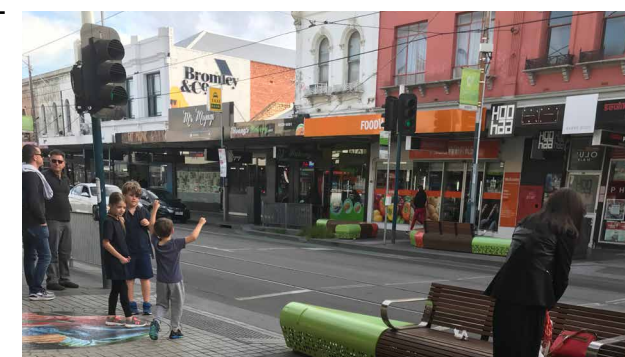
MAJOR ANCHORS Jam Factory
Melbourne Polytechnic

KEY LOCAL FEATURES



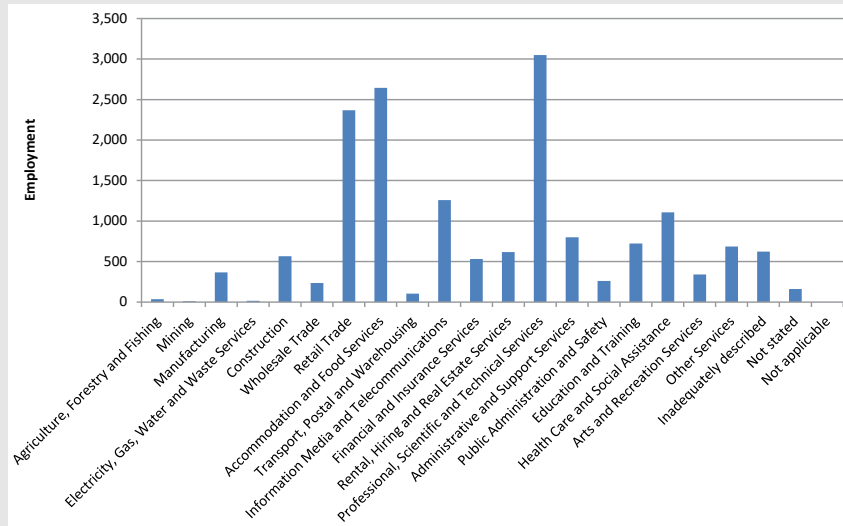
LEGEND

- | | |
|--|--|
| Chapel Street Activity Centre | Allied Health/ Fitness |
| Train Stop | Supermarket |
| Tram Stop | Health |
| Bus Stop | Food & Drinks |
| Community Facility | Office |
| Open Space | Vacant |
| Education | Other |
| Retail | |

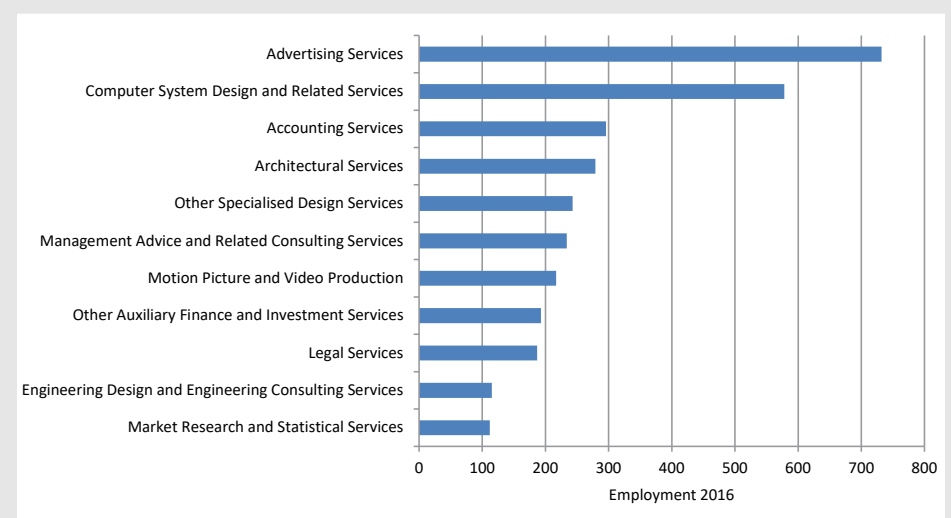


KEY BUSINESS AND EMPLOYMENT STATISTICS

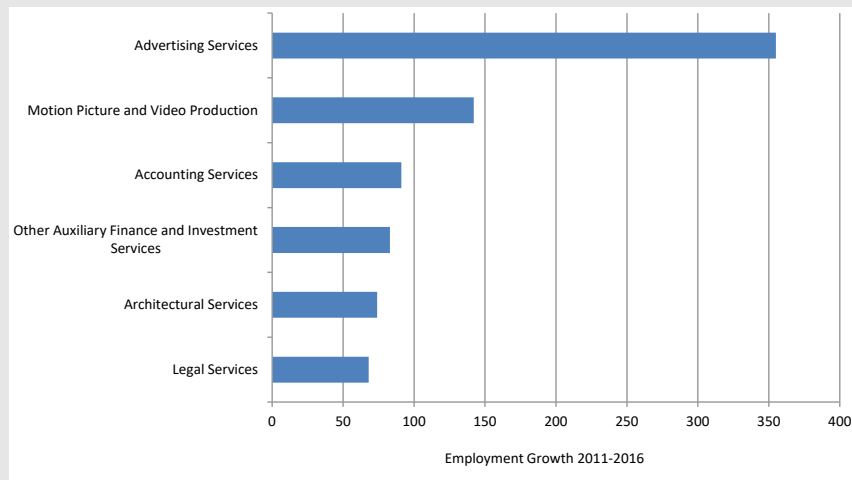
Total Employment by Industry 2016



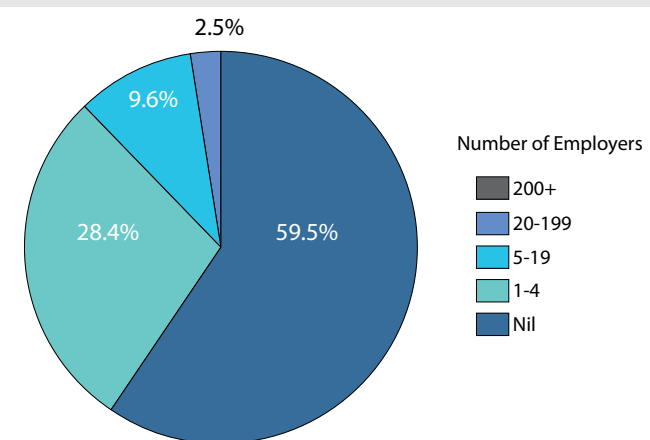
Private Sector Office Activities - Largest Employers (PSTS sector only) 2016



Change in Private Sector Office Employment (PSTS sector only) 2011-2016

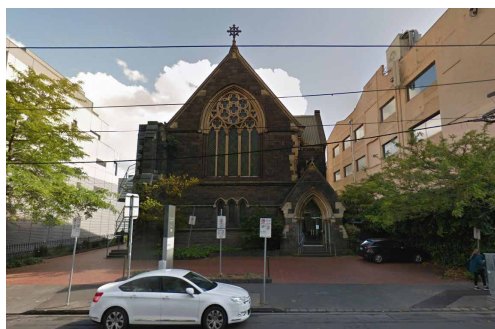


Number of PSTS businesses by Number of Employers 2018*



* Source: ABS Cat No. 8165.0

TYPICAL EXAMPLES OF CURRENT INNOVATIVE BUSINESSES IN THE LOCALITY



157 High Street, Prahran

Princess Pictures is an established film and television production company with an international reputation for producing projects with intensely creative talent. Princess prides itself as the link between the creative vision and the pragmatism of distributors and networks.



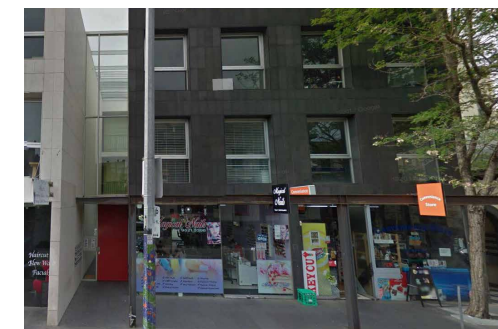
4c Cecil Place, Prahran

Latitude Group is an integrated design and communication practice. With a multi disciplinary team, they design everything; Brand Identity, Built form and Interiors, Websites digital campaigns, wayfinding, property marketing architectural photography.



25 Grattan Street, Prahran

WFP Software is a Melbourne-based software and consulting firm with over 30 years combined experience in meat, FMCG and retail.



15/161 Greville Street, Prahran

Smarty Pants is an award winning developer & publisher of innovative entertainment and educational software titles, primarily for kids. Smarty Pants is a privately owned company, based in Melbourne, Australia.



231 Chapel Street, Prahran

MVP is experienced in video production and online marketing, helping you thrive in today's media environment.



474 Malvern Road, Prahran

Hothouse Design is the only information design company that focuses solely on most cost sensitive element of communication to customers, staff and stakeholders.



3/31 Izett Street, Prahran

Savi is a strong, nimble agency with a full-service capability. From idea to application, marketing and media strategy, to media buying and placement, our multifaceted expertise is the equal of any.

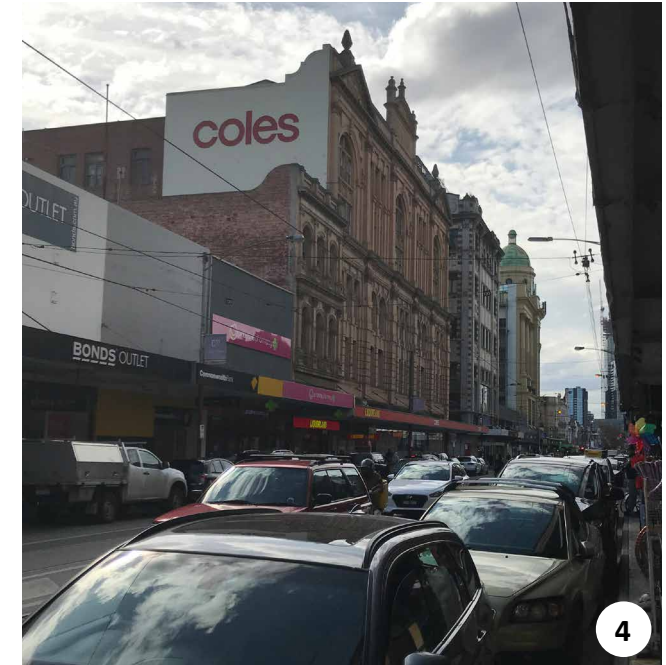


7/1 Grattan Street, Prahran

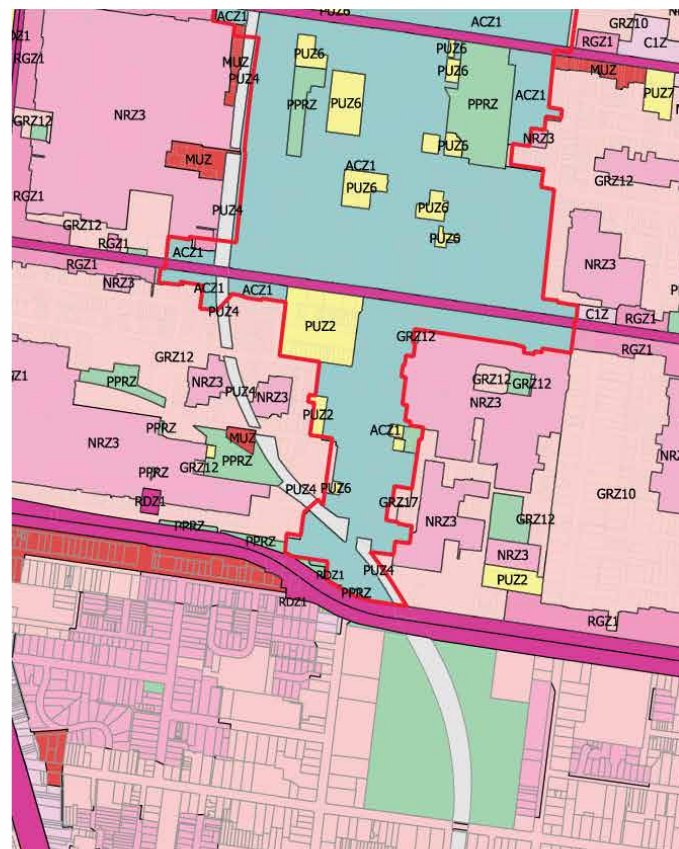
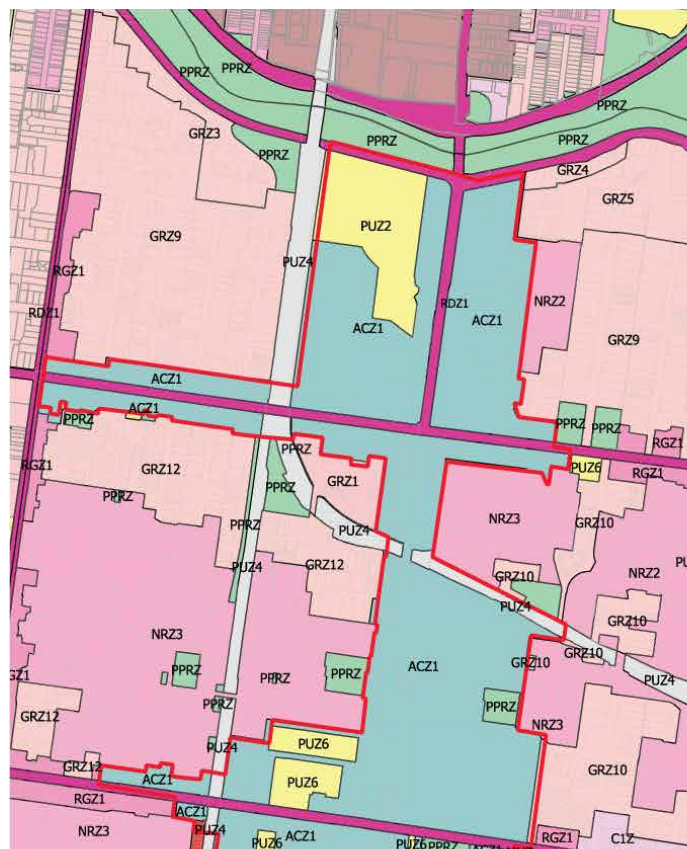
The Big Boutique is a full service media and sponsorship sales agency that works with a wide and varied number of media organisations and companies wishing to maximise their advertising sales and investment opportunities.

BUILT FORM CHARACTER

- Built form at the northern end is highly contemporary with high-rise development north of Toorak Road, within the Forrest Hill Precinct.
- Between Toorak Road and Malvern Road the built form is predominantly one to two storey narrow shop fronts with a range of lot sizes and higher built form off Chapel Street.
- Between Malvern Road and High Street there are numerous large sites with extensive built form ranging from Victorian era buildings to contemporary built form.
- South of Malvern Road built form is predominantly one or two storey with narrow shop fronts and small lot sizing both along Chapel Street and in the surrounding areas.

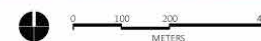


LAND USE PLANNING FRAMEWORK - ZONING

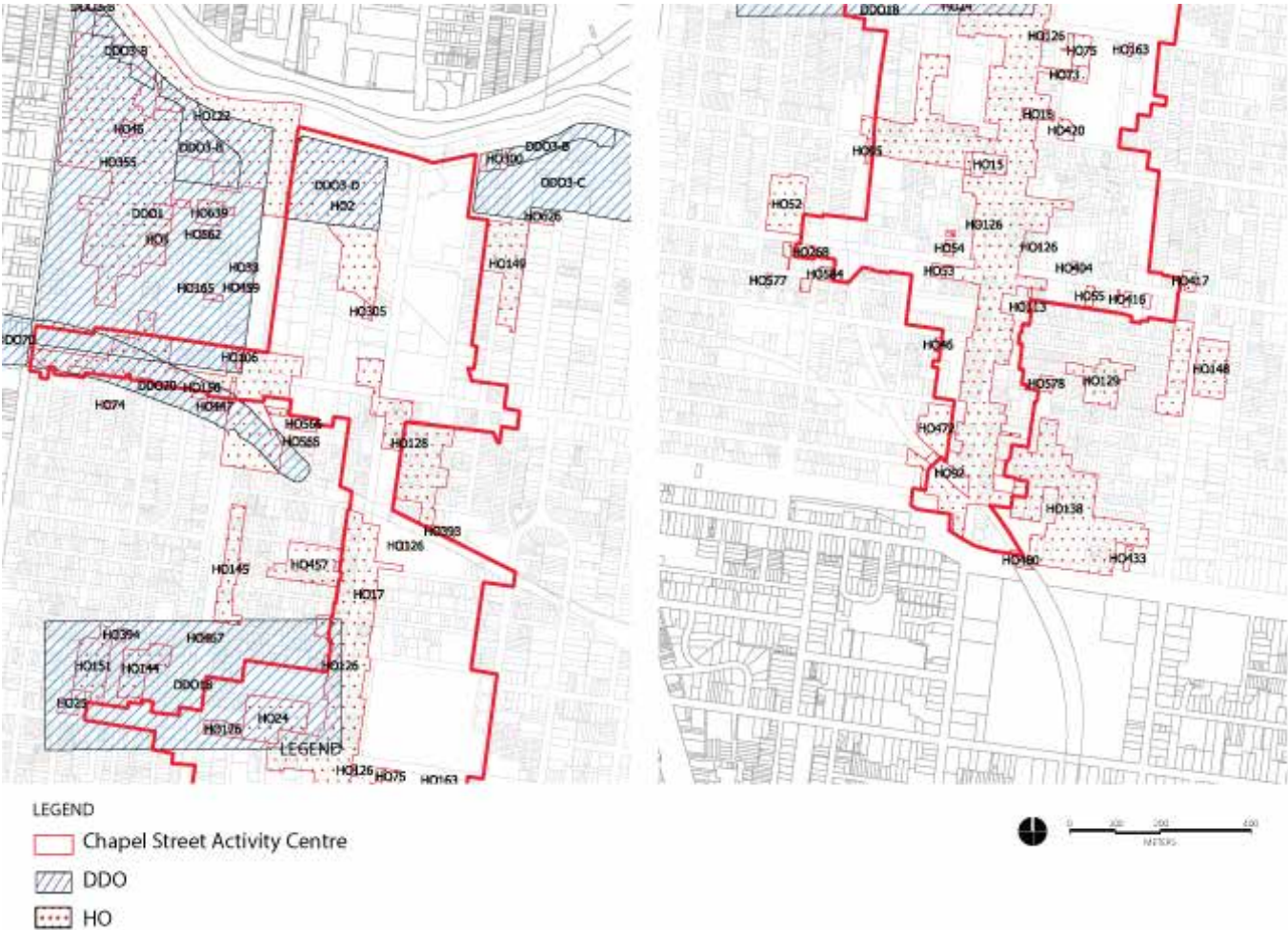


LEGEND

- | | |
|--|---|
| Chapel Street Activity Centre | PUZ2 - Public Use - Education |
| C1Z - Commercial 1 | PUZ6 - Public Use - Local Government |
| ACZ - Activity Centre | PUZ7 - Public Use - Other Public Use |
| GRZ - General Residential | PUZ4 - Public Use - Transport |
| NRZ - Neighbourhood Residential | PPRZ - Public Park and Recreation |
| RGZ - Residential Growth | RDZ1 - Road Zone Category 1 |
| MUZ - Mixed Use | |



BUILT FORM FRAMEWORK



4.2 GLENFERRIE ROAD, HAWTHORN | CITY OF BOROONDARA

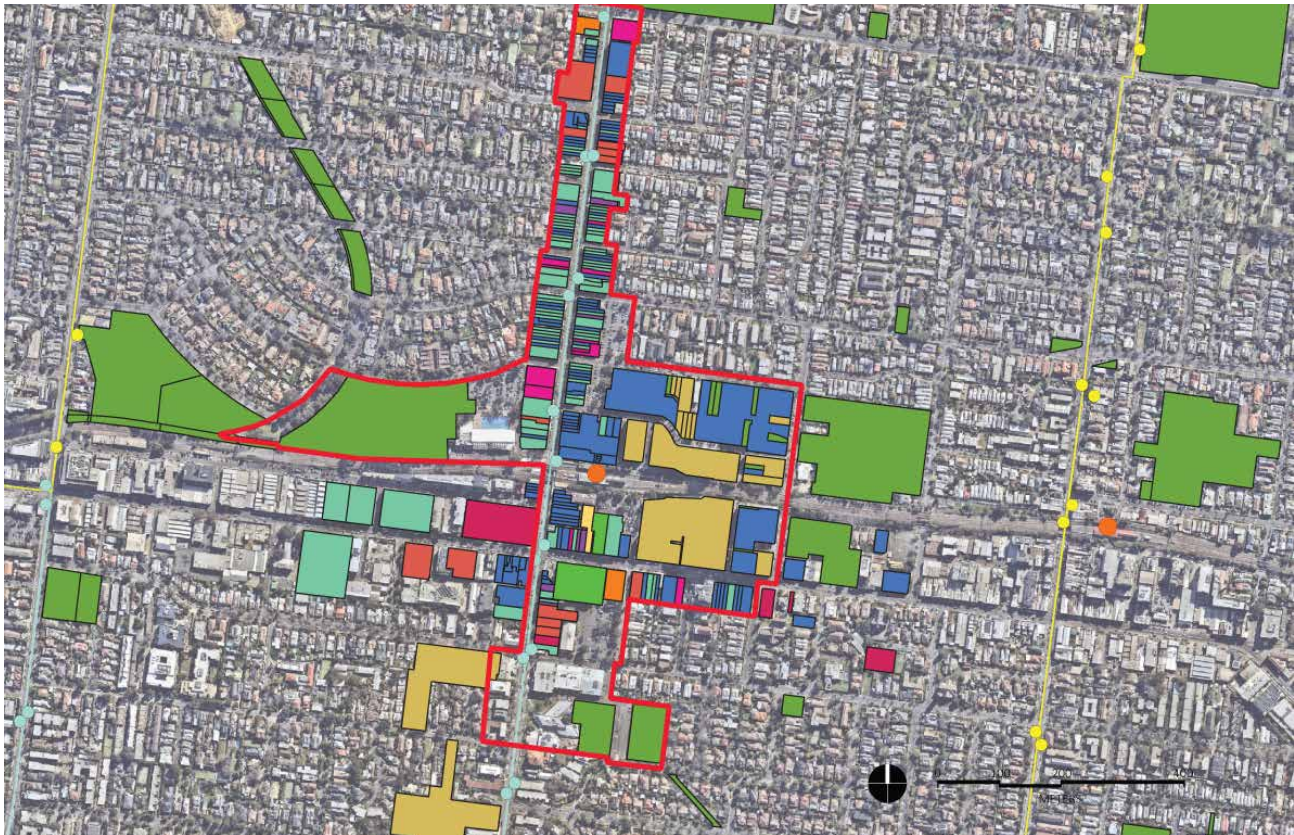
SUMMARY

- Around 20 percent of all employment in the precinct are public sector jobs, and Swinburne University is the largest employer, with over 2,000 jobs.
- The Professional, Scientific & Technical Services sector employs circa 1,755 people, making it the second largest employer by type in the precinct. However, this sector did not show any growth in jobs over the 2011-2016 period.
- The next-largest employment categories in the precinct are retailing and accommodation and food services (1,320 and 1018 jobs respectively).
- Within the PSTS sector, computer system design was by far the largest employer – it generates 537 jobs, and it increased by 220 jobs (70%) on 2011 employment levels.
- Market research/statistical services is also a significant employer (280 jobs). This sector represent a notably higher percentage of PSTS jobs in this precinct than in other precincts assessed in this report.
- The majority of PTST companies in this precinct either do not employ staff or employ between 1-4 staff. Whilst there are far fewer PSTS companies employing 5-19 staff, these are likely to account for a comparable level of total employment.

KEY FACTS

PRECINCT SIZE:	30.8 ha
TOTAL JOBS	11,320
JOB DENSITY	367.5 per ha
TOP 3 INDUSTRY SECTORS	1. PSTS 2. Retail Trade 3. Accom & Food
MAJOR ANCHORS	Swinburne University Town Hall arts precinct

KEY LOCAL FEATURES



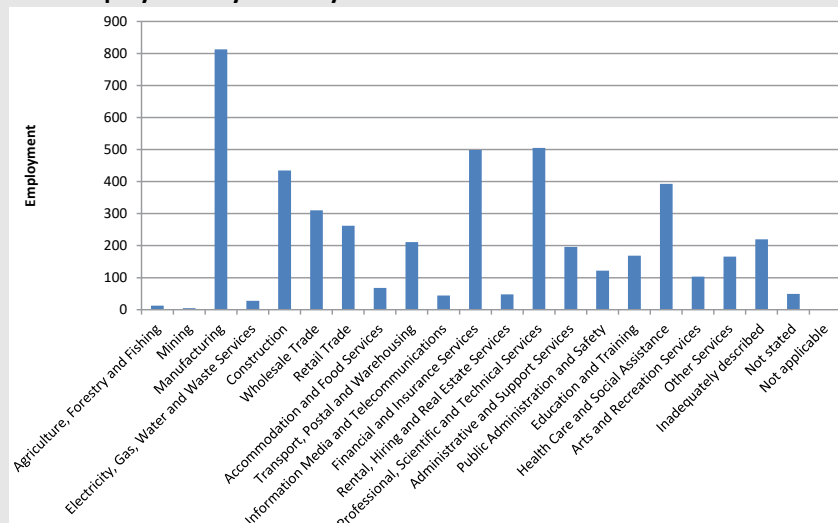
LEGEND

- | | |
|----------------------------|------------------------|
| Glenferrie Activity Centre | Retail |
| Bus Stop | Allied Health/ Fitness |
| Tram Stop | Supermarket |
| Community Facility | Health |
| Open Space | Food & Drinks |
| Education | Office |
| Other | Religion |

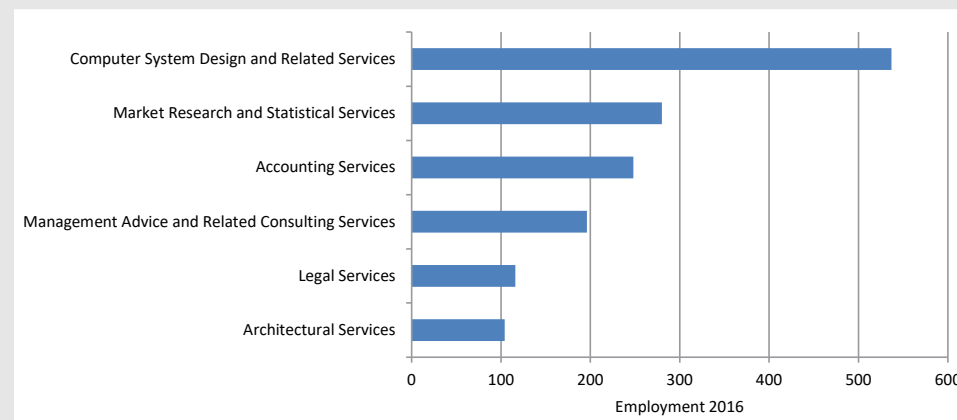


KEY BUSINESS AND EMPLOYMENT STATISTICS

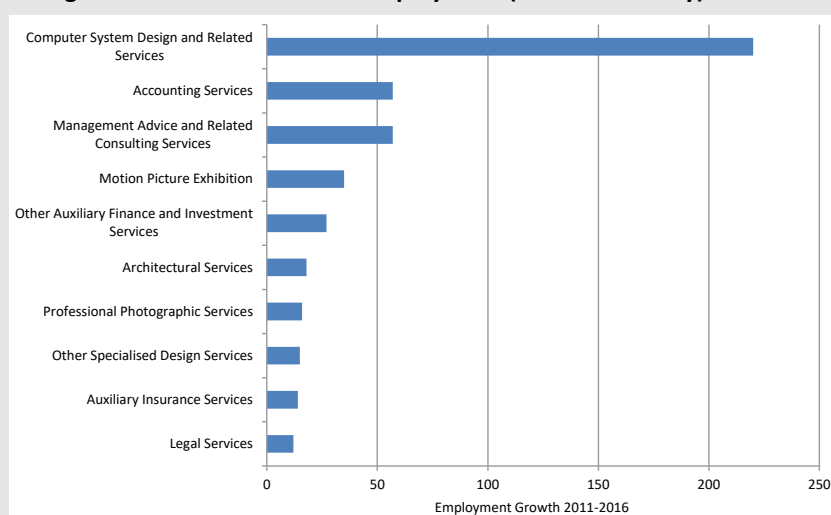
Total Employment by Industry 2016



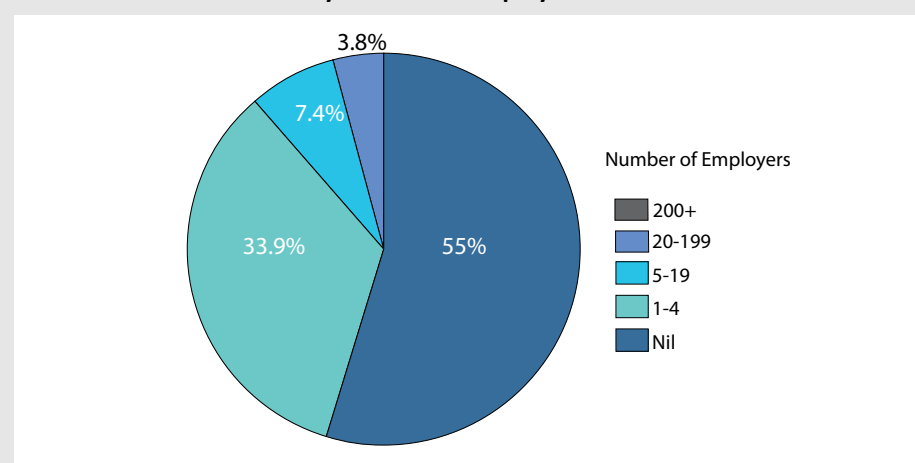
Private Sector Office Activities - Largest Employers (PSTS sector only) 2016



Change in Private Sector Office Employment (PSTS sector only) 2011-2016



Number of PSTS businesses by Number of Employers 2018*



* Source: ABS Cat No. 8165.0

TYPICAL EXAMPLES OF CURRENT OFFICE ACCOMMODATION IN THE LOCALITY



668 Burwood Road Hawthorn

Suite 4 is currently for lease with floor area of 188 sqm plus 5 car spaces.

Asking rent: \$56,000 p.a. + Outgoings (\$300 per sqm). Currently occupied by Davenports Financial Solutions (financial planners).



523 Burwood Road Hawthorn

Mixed use development with levels 5 and 6 devoted to office space.

Level 6 is currently available for lease with floor area of 410 sqm and 12 car spaces. Currently occupied by Octopus Hospitality Recruitment.



302-320 Burwood Road Hawthorn

Premium office building constructed in 2006 for McLean Delmo Bentleys Accountants. 156 sqm ground floor office suite recently leased in building at \$65,000 per annum (\$416 per sqm).



672 Glenferrie Road Hawthorn

Shop Top offices located immediately adjacent to Swinburne University. Occupants include K&P Legal, Technocrats (web design), Opaque Media Group



197-199 Riversdale Road, Hawthorn

Currently for lease: 166 sqm refurbished office including 6 onsite car spaces. Occupants include Steadfast Insurance Brokers

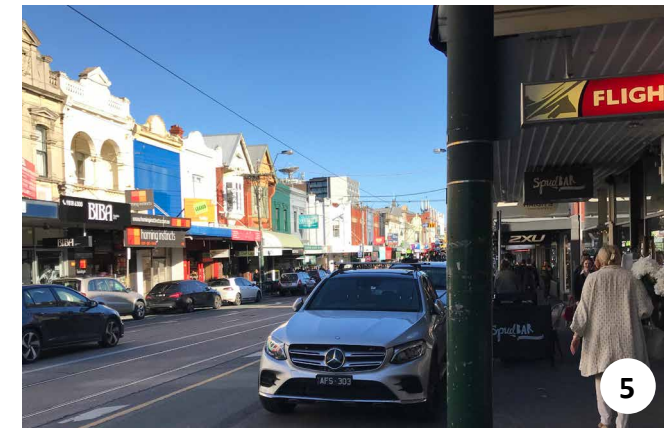


328-330 Burwood Road, Hawthorn

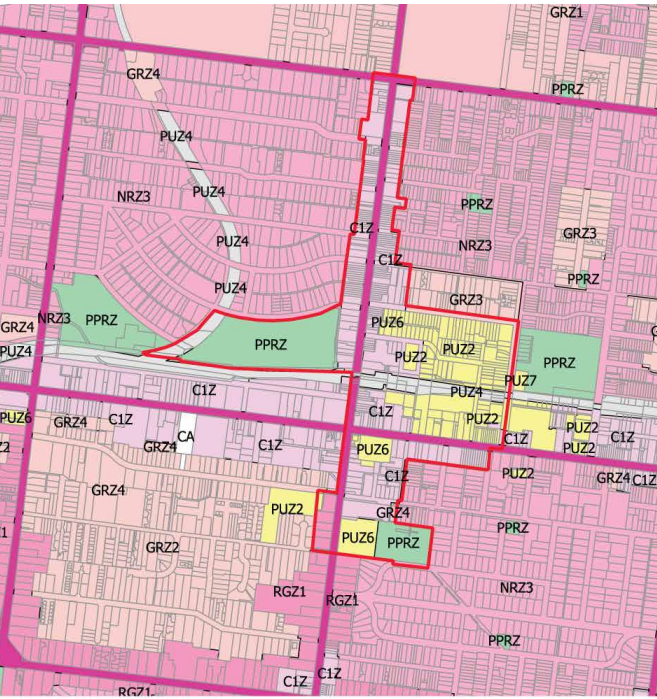
For Lease: 1st floor office (223 sqm) in close proximity to Swinburne University with option to also lease ground floor with a combined 500 sqm.

BUILT FORM CHARACTER

- Built form along Burwood Road includes a variety of single fronted Victorian era terraces through to large lot contemporary buildings. The majority of the larger built form within the precinct is located either along Burwood Road or in proximity to the train line (majority associated with Swinburne University).
- North of Park Street, all built form is single to double storey. Most buildings include verandah extensions to provide protection to footpaths.

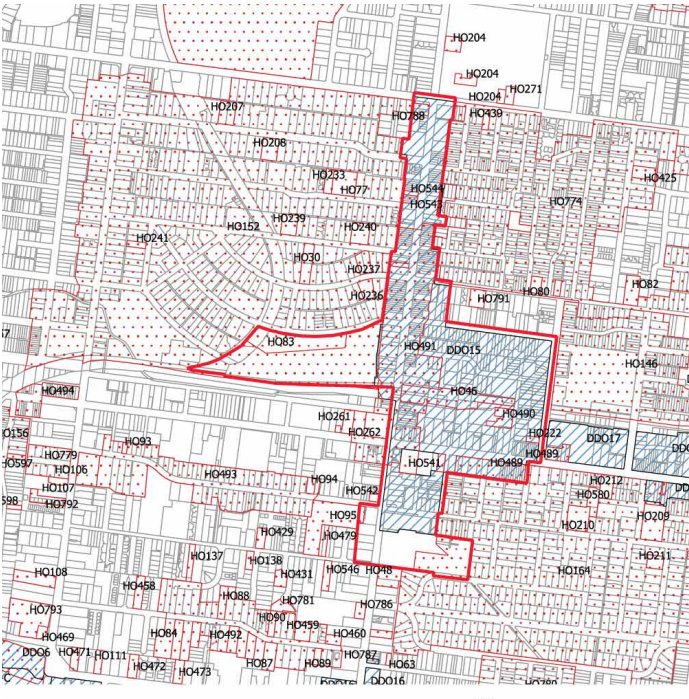


LAND USE PLANNING FRAMEWORK



- LEGEND
- Glenferrie Activity Centre
 - C1Z - Commercial 1
 - GRZ - General Residential
 - NRZ - Neighbourhood Residential
 - PUZ2 - Public Use - Education
 - PUZ4 - Transport
 - PUZ6 - Local Government
 - PUZ7 - Public Use
 - PPRZ - Public Par anc Recreation
 - RDZ1 - Road Zone Category 1

BUILT FORM FRAMEWORK



- LEGEND
- Glenferrie Activity Centre
 - DDO
 - HO

4.3 CARNEGIE ACTIVITY CENTRE | GLEN EIRA CITY COUNCIL

SUMMARY

- Employment is dominated by retail, accommodation and food services, and health care and social assistance jobs, reflecting its historic role as a population serving activity centre.
- Professional, scientific and technical services reflecting the precinct’s role as a regional destination for shopping and eating out, as well as being a recognised office precinct.
- The professional, scientific & technical services (PSTS) sector employs less than 150 people in this location.

KEY FACTS

PRECINCT SIZE: 14.1 ha

TOTAL JOBS 2,344

JOB DENSITY 166 per ha

TOP 3 INDUSTRY SECTORS

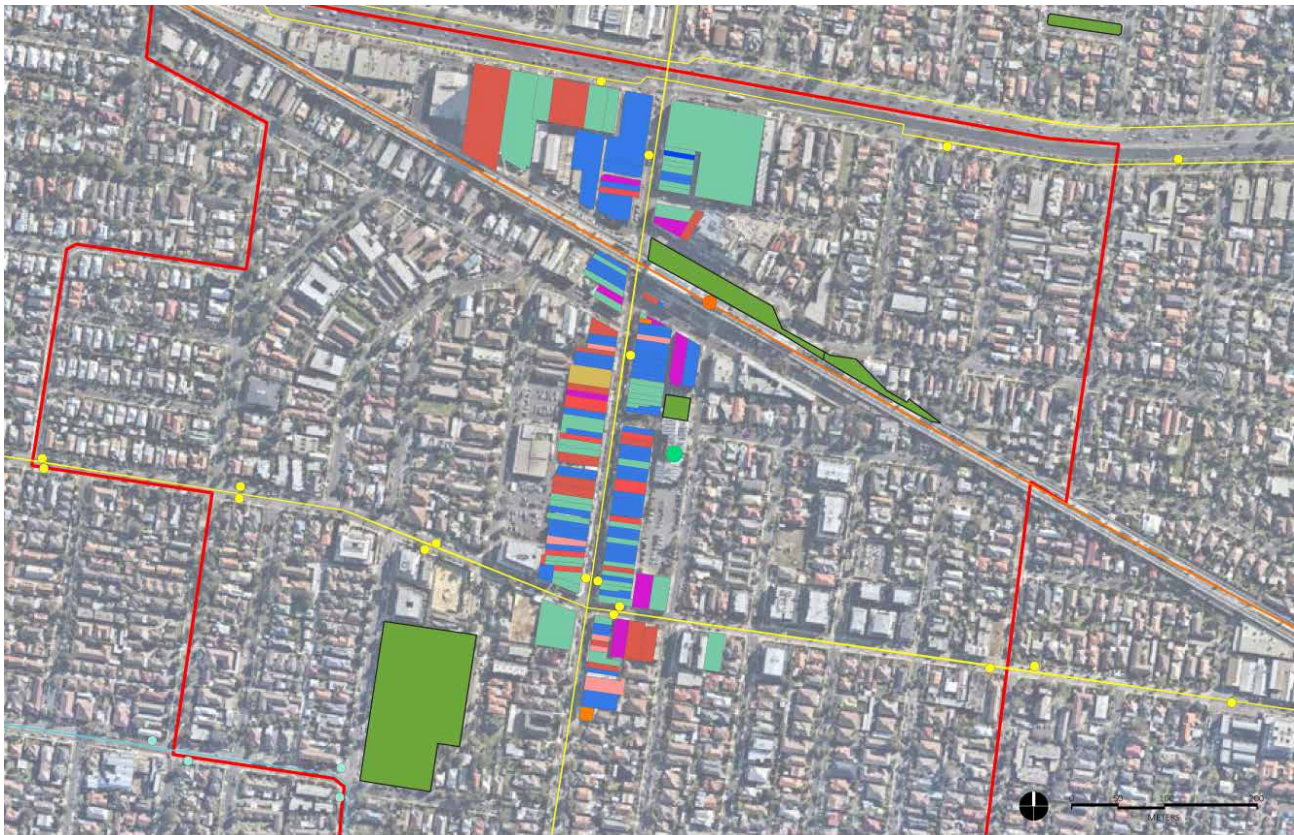
1. Retail Trade

2. Healthcare & Social Services

3. Accommodation and food

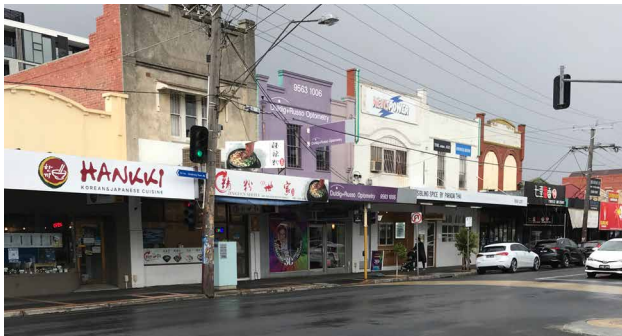
MAJOR ANCHORS Nil

KEY LOCAL FEATURES



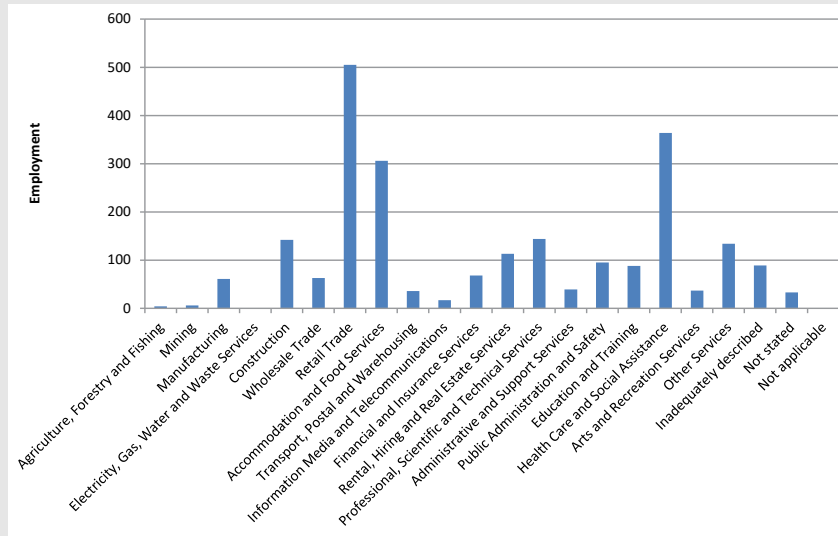
LEGEND

- | | |
|--------------------|------------------------|
| Carnegie Precinct | Allied Health/ Fitness |
| Train Station | Retail |
| Bus Stop | Supermarket |
| Tram Stop | Health |
| Community Facility | Food & Drinks |
| Open Space | Art Gallery |
| Education | Office |
| | Vacant |

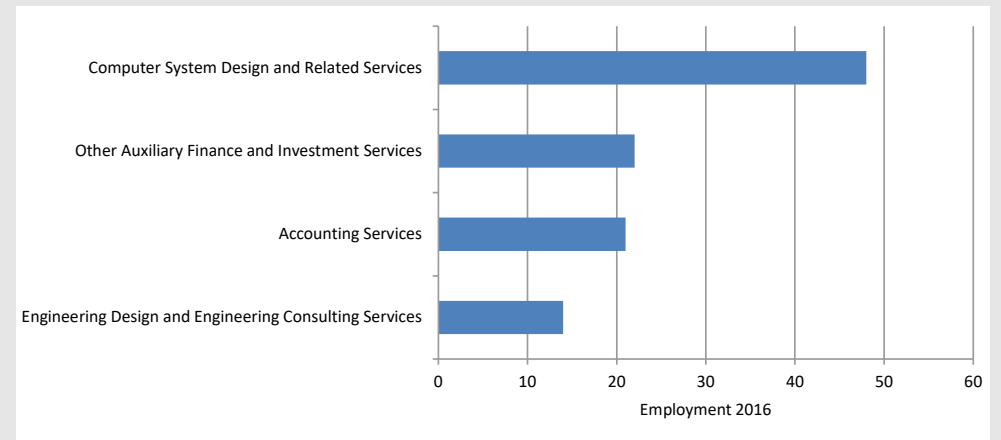


KEY BUSINESS AND EMPLOYMENT STATISTICS

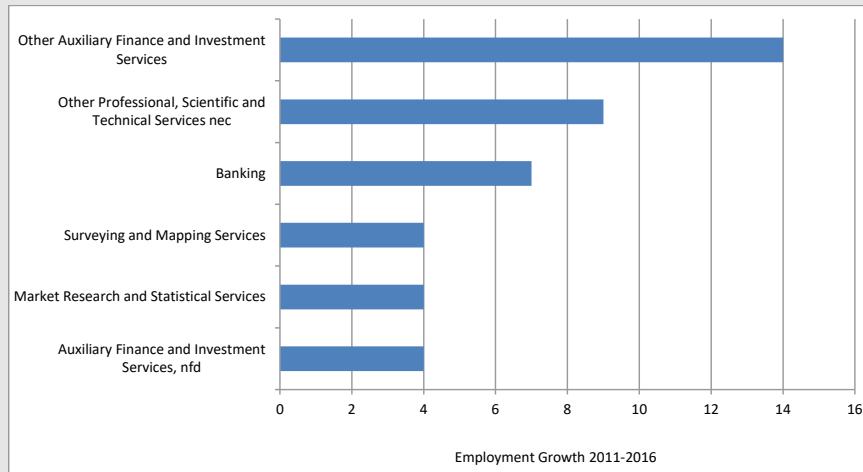
Total Employment by Industry 2016



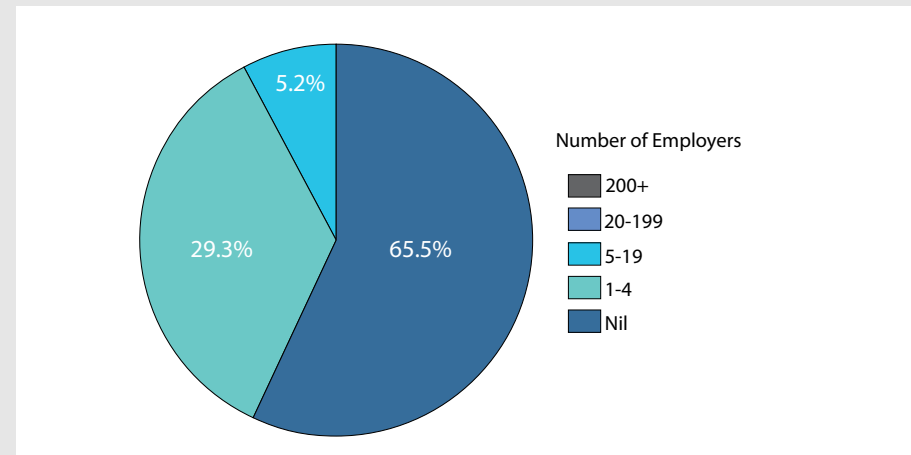
Private Sector Office Activities - Largest Employers (PSTS sector only) 2016



Change Private Sector Office Employment (PSTS sector only) 2011-2016



Number of PSTS businesses by Number of Employers 2018*



* Source: ABS Cat No. 8165.0

TYPICAL EXAMPLES OF CURRENT OFFICE ACCOMMODATION IN THE LOCALITY



75A Koorang Road, Carnegie

Former bank chambers comprising a total lettable area of 385 sqm over two stories and eight car spaces. Currently occupied by Phillips Institute (training provider) but market for lease.



1032 Dandenong Road, Carnegie

Flexible commercial space of 750 sqm over three levels. Previously occupied by ABD Group (builders) which have relocated to Southbank.



1044A Dandenong Road, Carnegie

Two level contemporary office building of 500 sqm sold in 2017 and subsequently converted to a co-working space.



1/69-71 Rosstown Road Carnegie

Office suites located immediately adjacent to Koorng Road retail strip.



Level 2/2-20 Koorang Road, Carnegie

Second level office of 400 sqm within the Spotlight Centre



58 Rosstown Road Carnegie

Flexible commercial space of 750 sqm over three levels. Previously occupied by ABD Group (builders) which have relocated to Southbank.



Level 1/137 Koorang Road, Carnegie

First floor 80 sqm office leased in December 2018 for \$26,000 p.a. (\$325 per sqm).

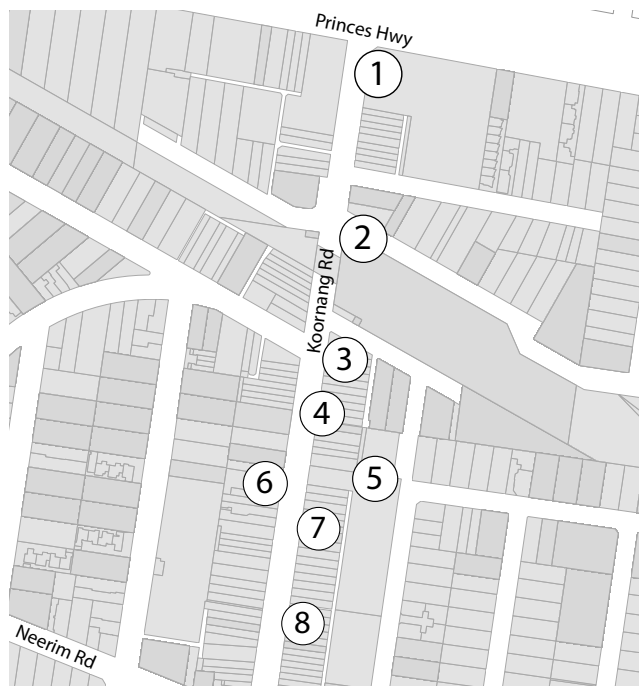


Level 1 /23 Koorang Road Carnegie

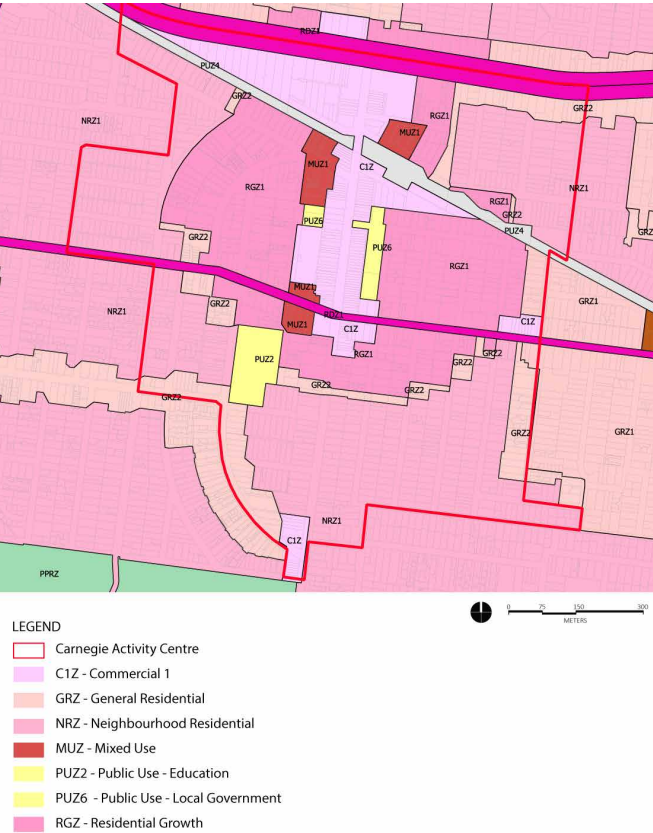
Refurbished office suites located at the northern end of Koorang Road near Dandenong Road and Carnegie station.
Suite 3: 96 sqm
Suite 4: 178 sqm

BUILT FORM CHARACTER

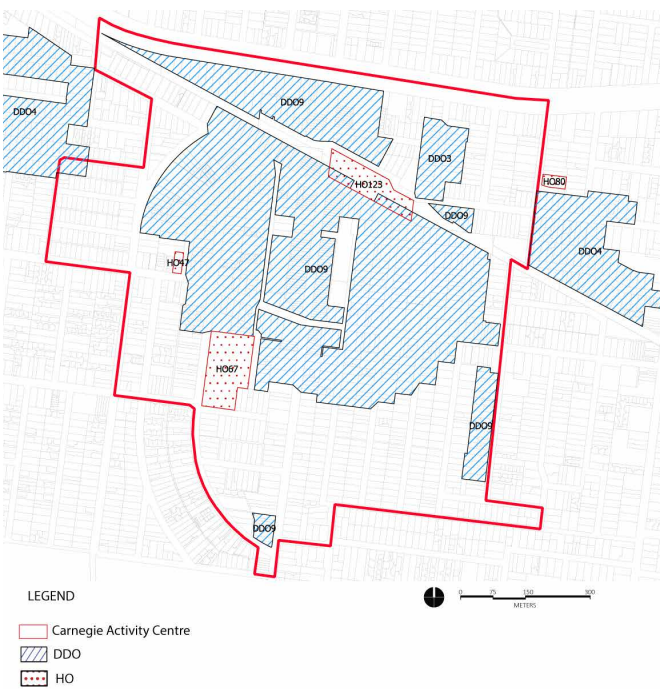
- Larger built comprised of 2+ storeys and with wide lot frontages is predominantly located fronting Dandenong Road (fulfilling the northern role of a highway/bigbox retailing).
- To the southern end of the precinct, the Koornang Road comprises narrow width shopfronts of one to two storeys that provide a small grain to the built form that substantially increases the amenity of the retail/cafe strip.
- The recently completed level crossing removal and new station at Carnegie provides an urban park land. Adjacent to the station substantial contemporary apartment developments of 5+ storeys are currently under development.



LAND USE PLANNING FRAMEWORK



BUILT FORMFRAMEWORK



4.4 MONASH CAULFIELD | GLEN EIRA CITY COUNCIL

SUMMARY

- Close to half of all employment in the precinct are public sector jobs, and most are associated with Education and training, reflecting the presence of Monash Caulfield in this precinct.
- The next largest employer is by retail, accommodation and food services, but less than 500 people are employed in these sectors.
- Fewer than 100 jobs in the PSTS sector are located within this precinct.

KEY FACTS

PRECINCT AREA 6.9 ha

TOTAL JOBS 2,414

JOB DENSITY 349.8 per ha

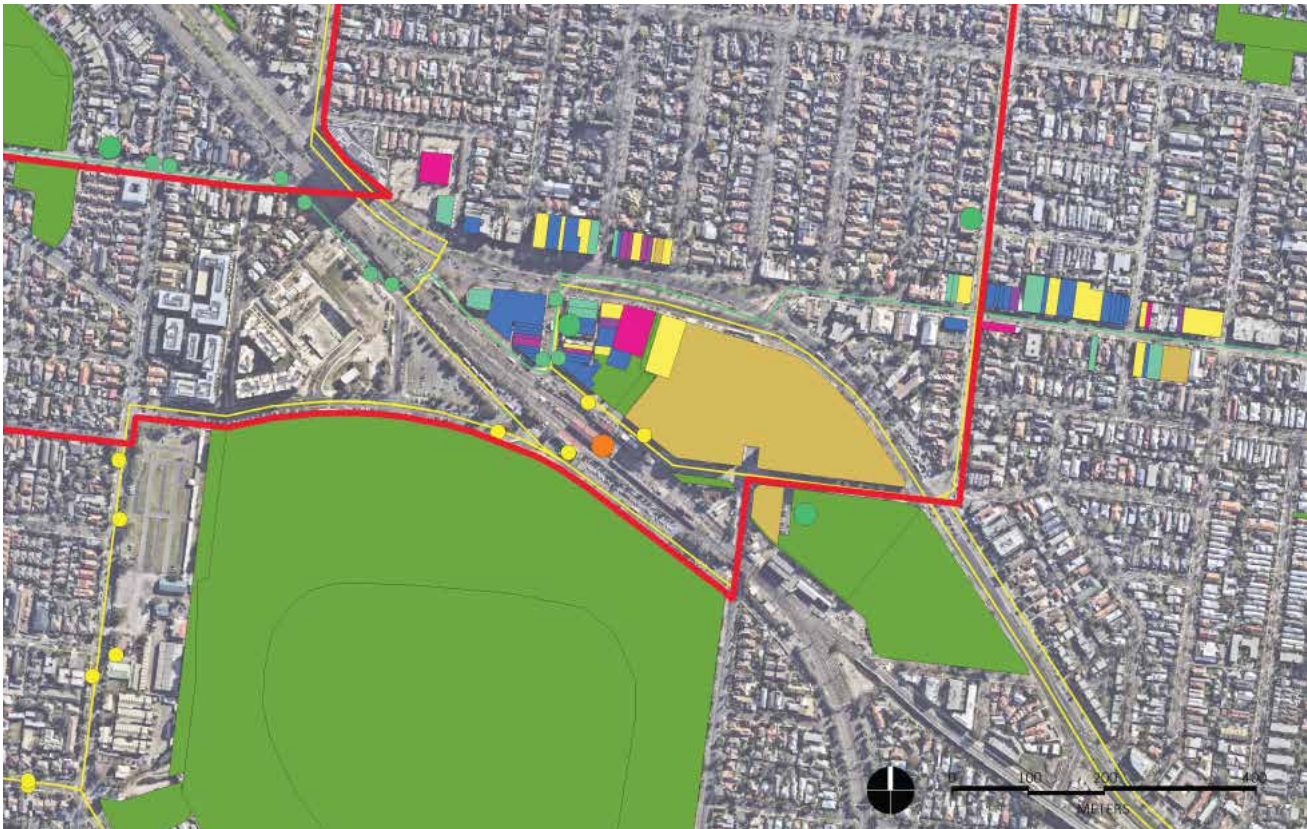
TOP 3 INDUSTRY SECTOR

1. Education

2. Accommodation and food

3. Construction

MAJOR ANCHORS Monash University
Monash Racecourse reserve



LEGEND

- Monash Caulfield precinct

Bus Stop

Tram Stop

Community Facility

Open Space

Education
- Retail

Allied Health/ Fitness

Supermarket

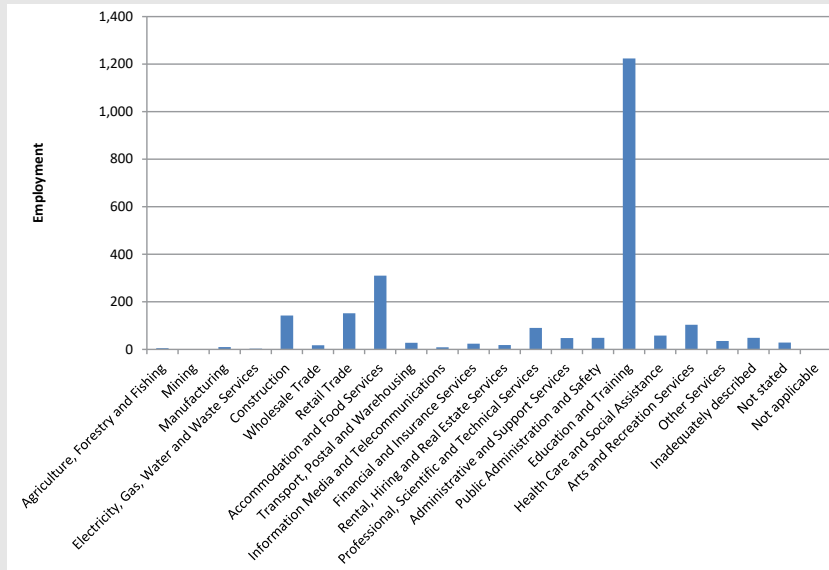
Food & Drinks

Other



KEY BUSINESS AND EMPLOYMENT STATISTICS

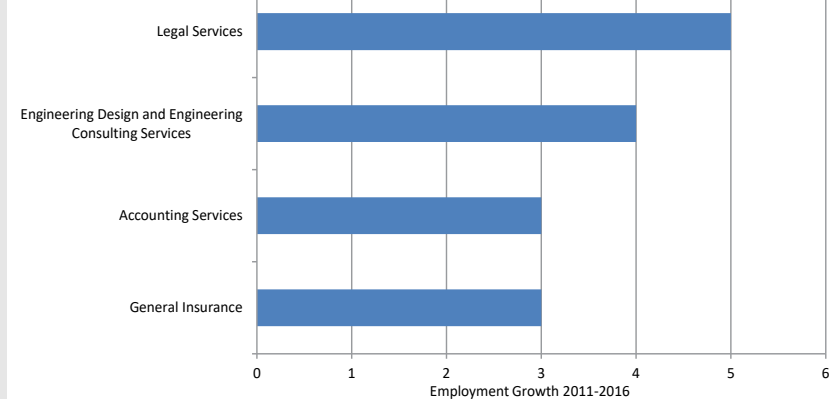
Total Employment by Industry 2016



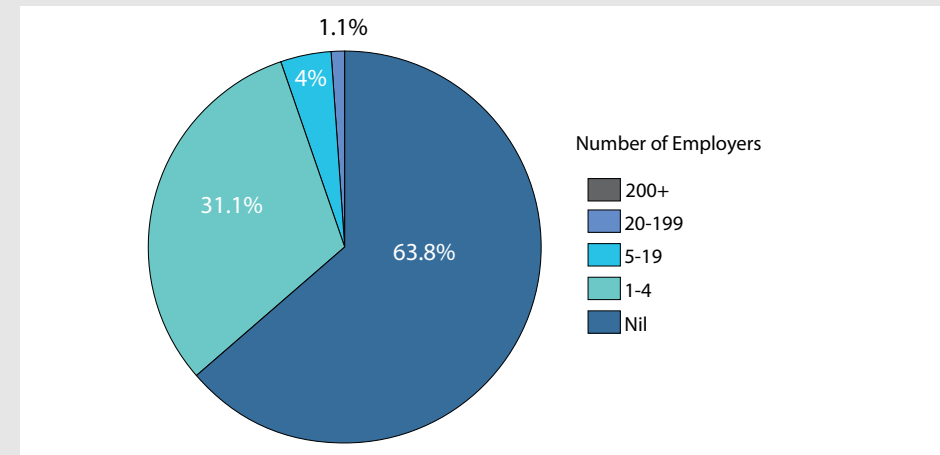
Private Sector Office Activities - Largest Employers (PSTS sector only) 2016



Change in Private Sector Office Employment (PSTS sector only) 2011-2016



Number of PSTS businesses by Number of Employers 2018*



* Source: ABS Cat No. 8165.0

TYPICAL EXAMPLES OF CURRENT OFFICE ACCOMMODATION IN THE LOCALITY



840 Dandenong Road Caulfield

Currently for Lease:
2 Level freestanding corporate office
previously occupied by Steller Property Group
Floor Area: 1,278 sqm



851-853 Dandenong Road, Malvern East

Currently for Lease
2 Level freestanding corporate office leased
to Confederation of Australian Motor Sport
until November 2019
Floorarea: 1,000 sqm



59 Waverley Road, Malvern East

Currently for Lease: \$35,000 p.a. plus GST /
Outgoings.

Shopfront previously occupied by lawyers.
Floor Area: 128 sqm



131 Waverley Road Malvern East

2 Level freestanding corporate office located
east of Burke Road.
Floor Area: 1,300 sqm



207 – 213 Waverley Road Malvern East

Corporate office of 2,137 sqm over two
levels located east of Burke Road. Includes
74 car spaces. The site has a planning permit
for a four level mixed use project with 44
apartments. Sold through Colliers in late 2018
and currently listed for lease through CBRE
with floor areas of 500-2,200 sqm

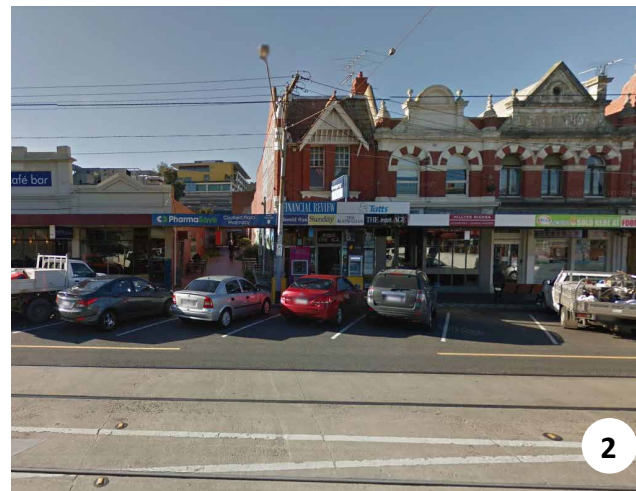


215 Waverley Road Malvern East

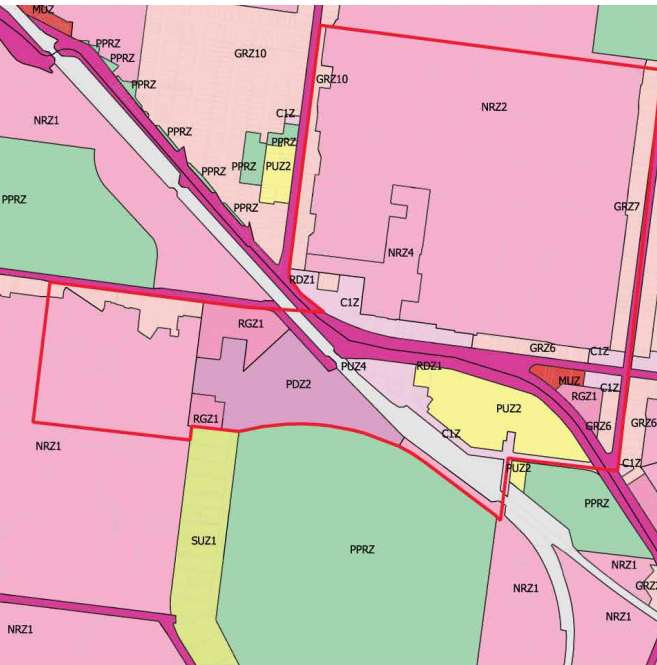
Former industrial premises converted to a
freestanding office building leased in August
2019. Marketed as being suitable for lawyers,
accountants, architects, health services etc.
Floor Area: 300 sqm.

BUILT FORM CHARACTER

- Larger built comprised of 2+ storeys and with wide lot frontages is predominantly located fronting Dandenong Road. Numerous towers 6+ storeys are found on both the northern and southern sides of Dandenong Road.
- Internally, off Dandenong Road, the precinct includes numerous small scale retail shopfronts along Sir Monash Drive and Derby Road.
- The Monash University Campus built form includes some setbacks from local roads and the provision of open spaces throughout.

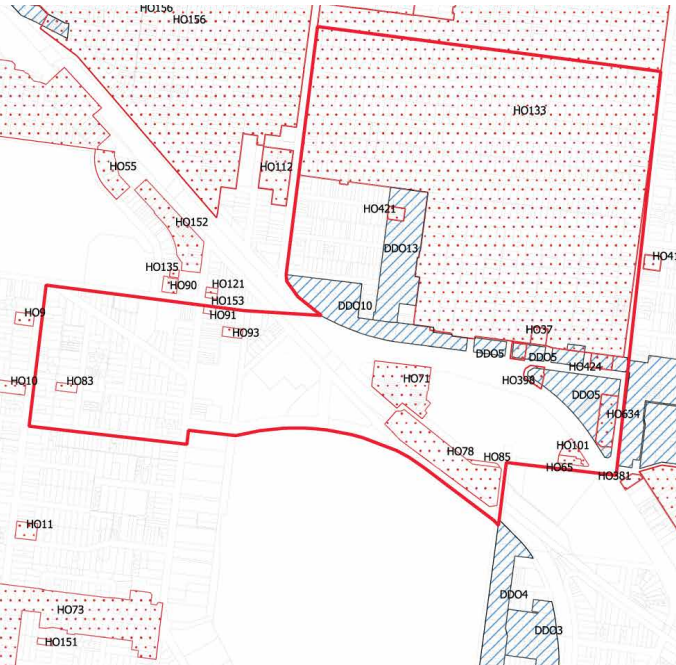


LAND USE PLANNING FRAMEWORK



- LEGEND
- Monash Caulfield precinct
 - C1Z - Commercial 1
 - GRZ - General Residential
 - NRZ - Neighbourhood Residential
 - MUZ - Mixed Use
 - PUZ2 - Public Use - Education
 - PUZ4 - Transport
 - PPRZ - Public Par and Recreation
 - RDZ1 - Road Zone Category 1
 - SUZ - Special Use

BUILT FORM FRAMEWORK



- LEGEND
- Monash Caulfield Precinct
 - DDO
 - HO

4.5 BAY ROAD, CHELTENHAM | BAYSIDE CITY COUNCIL

SUMMARY

- Manufacturing employs over 800 people, making it the largest single employment sector in the precinct.
- However, the precinct has a highly diverse employment base, with PTST (circa 500 jobs), finance & insurance services (circa 500 jobs), construction (400+ jobs) and health care/social assistance (circa 40 jobs) being the next four largest employment sectors.
- There are also a significant number of people employed in wholesale trade, retail, transport/warehousing and administrative services.

KEY FACTS

PRECINCT AREA 84.8 ha

TOTAL JOBS 4,668

JOB DENSITY 55 per ha

TOP 3 INDUSTRY SECTOR

1. Manufacturing
2. PSTS
3. Financial and insurance

MAJOR ANCHORS Nil



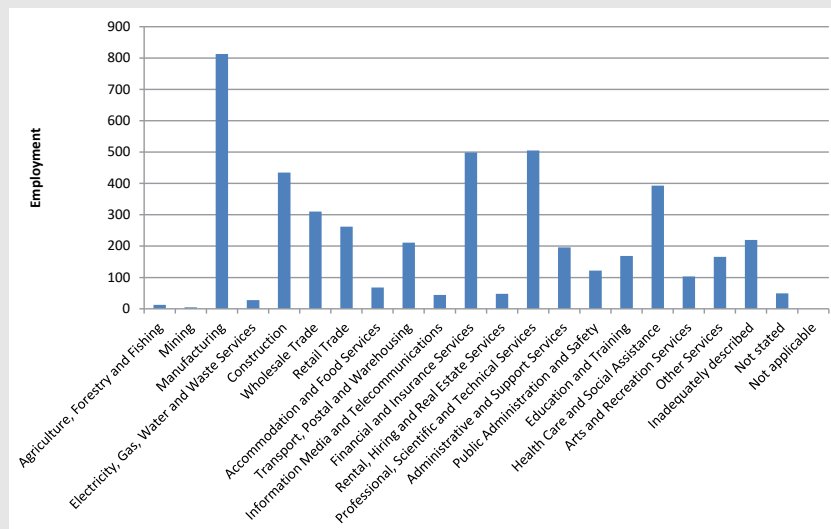
LEGEND

 Bayside Business District	 Allied Health/ Fitness
● Bus Stop	 Supermarket
 Community Facility	 Health
 Open Space	 Food & Drinks
 Education	 Office
 Industry	 Vacant
 Retail	

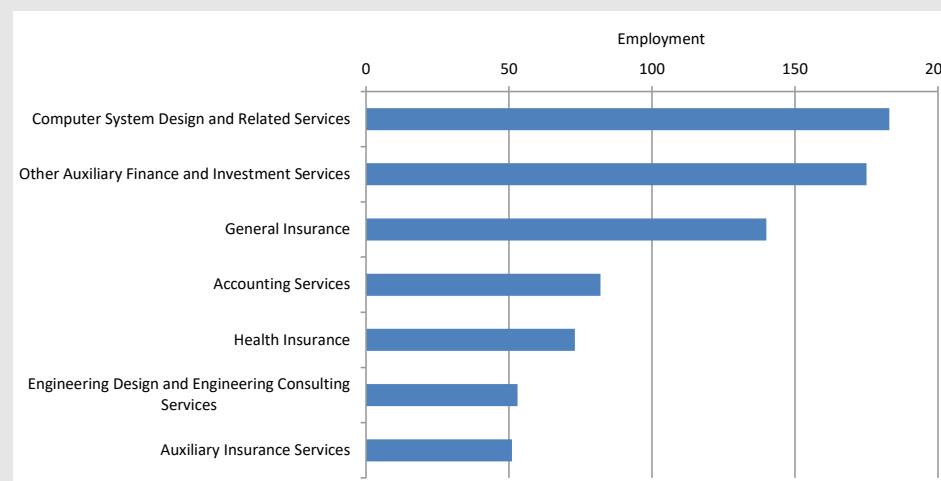


KEY BUSINESS AND EMPLOYMENT STATISTICS

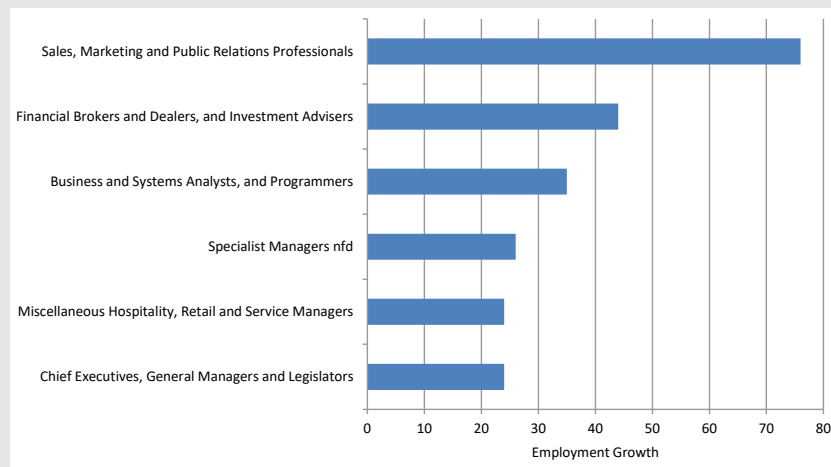
Total Employment by Industry 2016



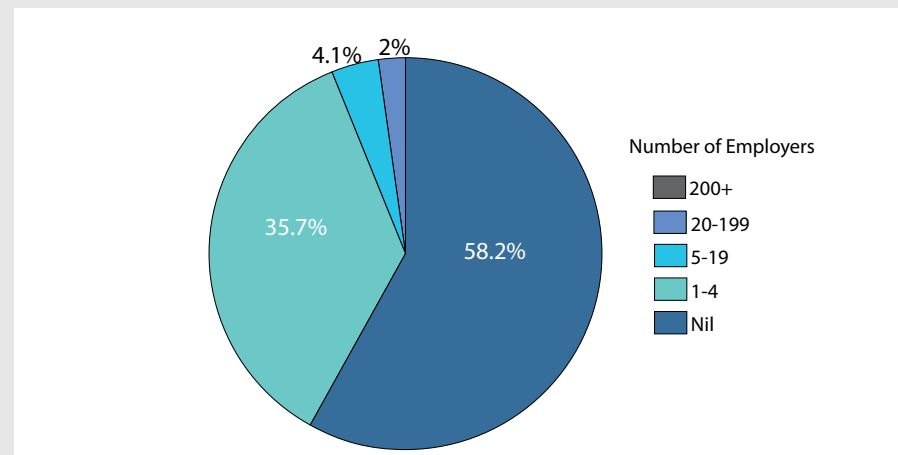
Private Sector Office Activities - Largest Employers (PSTS sector only) 2016



Change in Private Sector Office Employment (PSTS sector only) 2011-2016



Number of PSTS businesses by Number of Employers 2018*



* Source: ABS Cat No. 8165.0

TYPICAL EXAMPLES OF CURRENT OFFICE ACCOMMODATION IN THE LOCALITY



31/296 Bay Road Cheltenham

Office suite (38 sqm) with two car spaces currently available for lease for \$13,500 p.a. Refer above for list of current occupants.



102/75 Tulip Street Cheltenham

First floor office suite (51 sqm) suitable for 2-6 workers. Currently for lease for \$16,500 p.a. Refer above for list of current occupants.



47A Wangara Road Cheltenham

Corporate office of 435 sqm and 17 car spaces currently for lease. Currently occupied by Ability Plus Disability Services



21/328 Reserve Road Cheltenham

Two level office of 140 sqm for lease. Currently occupied by Sarina Russo Employment Services



LCW4/310 Bay Road Cheltenham

Four person workspace in coworking hub currently for rent for \$249 per week. Located in two storey commercial building with warehouse storage also available for rent. Rent includes use of meeting room and boardroom for an hour each per week.

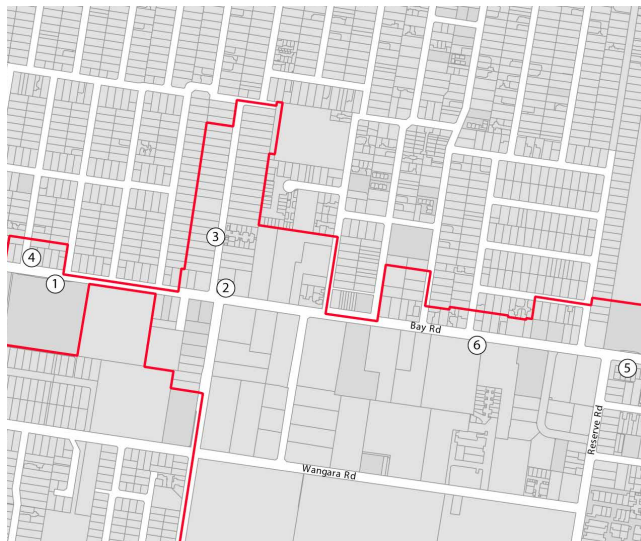


38/337 Bay Road Cheltenham

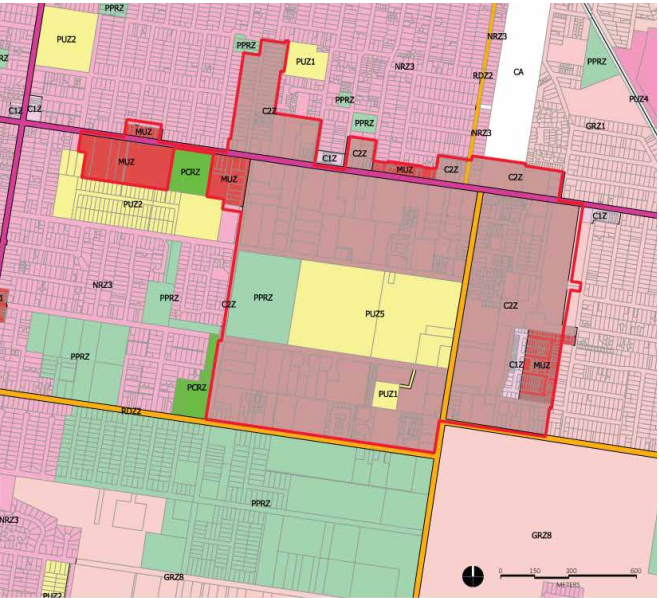
High tech office warehouse with 189 sqm building area offering opportunity for ground floor warehouse to be used for storage, studio space or car parking.

BUILT FORM CHARACTER

- The precinct comprises a wide mix of lot sizes and buildings of different types and eras. Many older small and medium sized warehouses and factories remain, although a number of sites have been redeveloped for factory/offices, office or retail purposes.
- A number of newer commercial developments are occurring along Bay Road, reserve Road and Tulip Street.
- The precinct has interfaces with residential areas, golf courses and parkland.

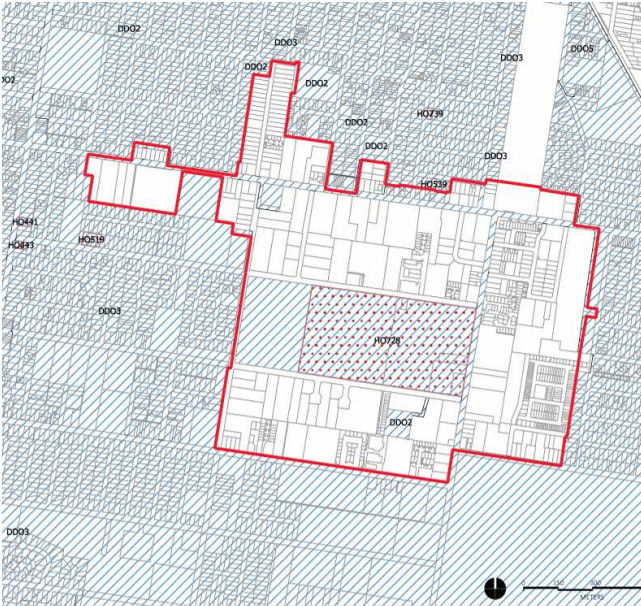


LAND USE PLANNING FRAMEWORK



- LEGEND
- Bayside Business District
 - C1Z - Commercial 1
 - C2Z - Commercial 2
 - GRZ - General Residential
 - NRZ - Neighbourhood Residential
 - MUZ - Mixed Use
 - PUZ1 - Service and Utility
 - PUZ2 - Public Use - Education
 - PUZ5 - Public Use - Cemetery/Crematorium
 - PPRZ - Public Park and Recreation
 - RDZ1 - Road Zone Category 1
 - RDZ2 - Road Zone Category 2

BUILT FORM FRAMEWORK



- LEGEND
- Bayside Business District
 - DDO
 - HO

5 Performance assessment of precincts against the Enterprise Precinct Framework

5.1 ASSESSMENT METHODOLOGY

Each of the five precincts described in the previous chapter have been assessed against the State Government's Enterprise Precinct Framework (DELWP, 2018).

This Framework identifies nine factors that drive the success of enterprise precincts. It has been based on the research of the Brookings Institution and others on Innovation Districts from across the world.

The Framework is a tool to promote the holistic development of employment precincts, to assess the strengths and weaknesses of precincts, and aid in deciding where to target efforts to improve precinct performance.

The assessment contained within this chapter is a blend of qualitative and quantitative analysis, using socio-economic data where it exists, and using informed judgement where it does not. The assessment takes into account both the existing condition of precincts as well as the likelihood for the precinct to improve based on emerging economic trends and/or planned interventions.

Each of the five precincts has been rated against the nine factors, as follows:

- **Low** – the precinct does not exhibit strong characteristics against the relevant factor, nor it is likely to in the foreseeable future.
- **Medium** - the precinct exhibits some of characteristics relating to the relevant factor, or alternatively whilst it does not exhibit such characteristics today, is likely that it will in the foreseeable future.
- **High** - the precinct strongly exhibits the characteristics relating to the relevant factor.

The importance of 'relative scale' became clear in undertaking this assessment. For instance, a precinct might offer a level of amenity that supports local economic activity, but not enough amenity to be of regional significance in attracting businesses and workers from across the wider metropolitan area.

This concept of relative scale (as it related to urban amenity) is illustrated by the conceptualisation of urban amenity prepared by Jones Lang Lasalle, shown below .



Figure 16. Source: JLL, *Key Ingredients for Office Precinct outperformance, 2019*

A precinct might offer local population-serving facilities such as child care, cafes, schools and local bus services but these are not of a type or scale that is significant enough to draw interest in the place from a wide metropolitan region. A precinct that offers regional or metropolitan serving facilities such as a university, research hospital, concentrations of bars and restaurants, and a rail hub on the other hand draw interest from a wide metropolitan region.

Where a precinct largely has characteristics that are of local significance then it is rated 'low' under this assessment. This does not mean that the precinct is fundamentally lacking in relation to the characteristic, but that it does not have a strong enough 'pull' in relation to the characteristic to meaningfully contribute to the precinct becoming an enterprise precinct of regional or metropolitan significance.

A summary of the variables taken into account in assessing each precinct against the nine factors is summarised in [Appendix 1](#) of this report.

5.2 ASSESSMENT RESULTS

The results of the performance assessment are summarised on the diagram overleaf. This summary includes the CBD and Cremorne in order to demonstrate the relative strengths and weaknesses of the five precincts in the Inner South-east region in comparison to two of Melbourne's strongest employment precincts³.

A number of observations can be made about the relative strengths and weaknesses of each precinct from this assessment:

- The affordability of commercial floorspace generally increases the further away the precinct is from the CBD. However, the availability of commercial floorspace significantly declines in the outer parts of the Inner South East region.
- The quality of place is relatively high in Windsor/Prahran/South Yarra but requires significant improvement in other locations in order to attract business and jobs.
- Many precincts currently lack the critical mass, competitive advantage, infrastructure, accessibility and commercial floorspace to be able to function as an employment precinct of regional significance. However, a number of the precincts have the capacity for growth, and realising this growth would substantially improve their appeal as a location for business. Provision of more diverse and flexible workspace, together with space for business meetings and events is a critical gap in the available infrastructure in many locations.
- The degree of socio-economic diversity varies considerably across the region. The different demographics of each place present different types of opportunities for curation of business startups and growth. For instance, locations with high student population might lend themselves to foster startups, whereas locations with concentrations of older skilled workers might lend themselves to growth in a range of professional service firms. These differences need to be explored in more detail in the design of any localised economic development strategies.
- The presence of Monash and Swinburne are major competitive advantages for Caulfield and Hawthorn and more could be done to gain leverage off their future growth to facilitate startup business growth.

³ This report does not contain a written assessment of the CBD and Cremorne against the framework, and the scoring has been prepared by the report authors based on their existing knowledge of these locations

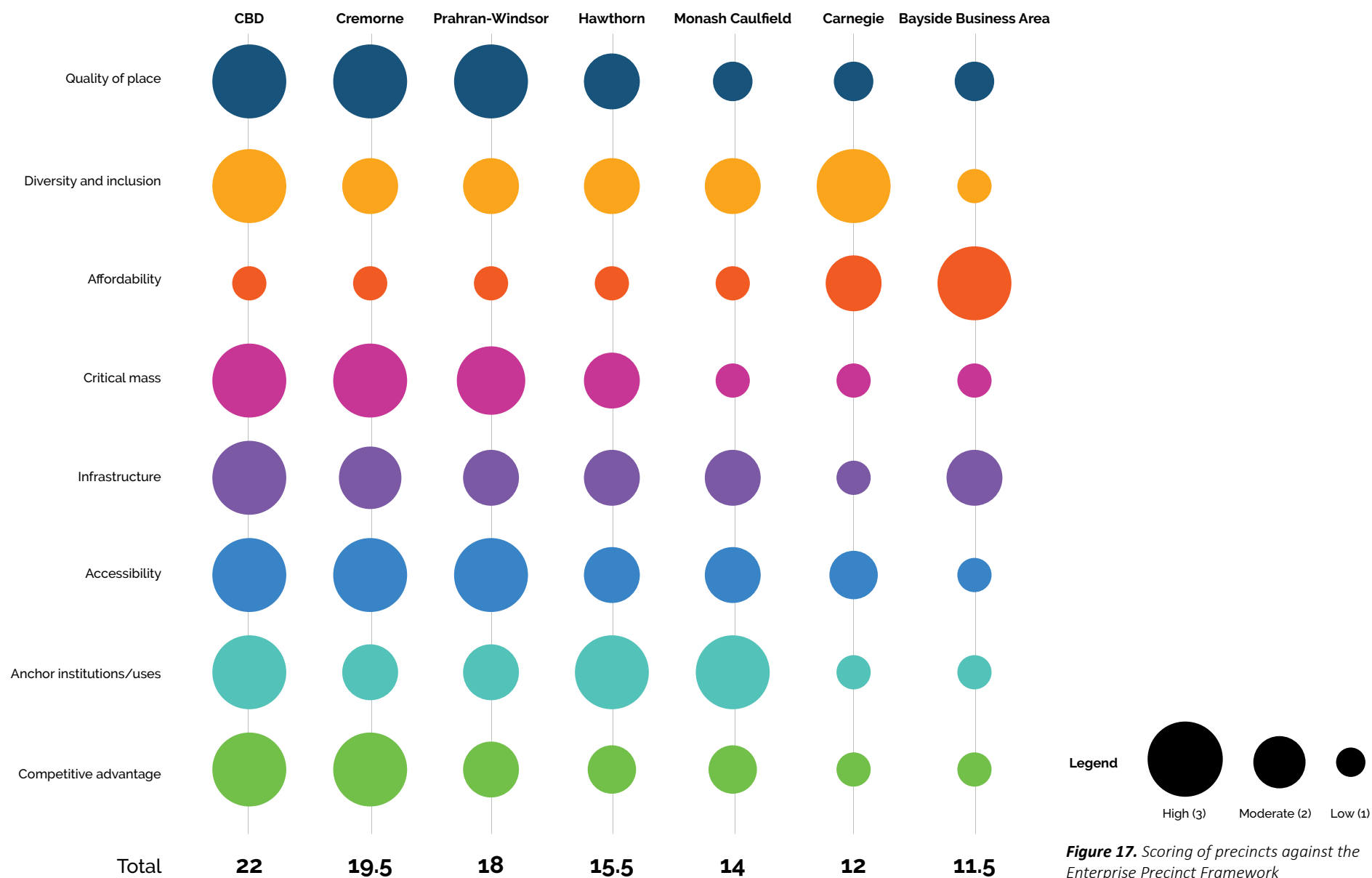


Figure 17. Scoring of precincts against the Enterprise Precinct Framework

5.2.1 PRAHRAN/SOUTH YARRA/WINDSOR - ASSESSMENT AGAINST THE ENTERPRISE PRECINCT FRAMEWORK



Quality of Place - HIGH

The precinct has a high quality of place that is being enhanced over time. It has a traditional high street character along Chapel Street, and a much higher density urban character in Forrest Hill.

It offers a wide range of retail, services, entertainment, food and beverage experiences. Whilst some parts of the precinct have suffered from high retail vacancies in recent years, there is significant potential for the precinct to reinvent its retail/hospitality mix to better cater for workers, visitors and residents.



Diversity and Inclusion – MODERATE

The percentage of residents living within the surrounding suburbs who were born overseas is similar to that of greater Melbourne. Residents are younger, earn higher incomes and are more educated than those across Greater Melbourne.



Availability of affordable workspaces – LOW

The precinct does not currently provide a wide diversity of affordable premises for businesses to locate.

Office rents across the city fringe and inner south east region have been rising strongly over the past five years, and the supply of new floorspace in the Prahran/South Yarra/Windsor precinct has been limited over this time. However, the total net lettable area in South Yarra is set to double by 2021, with an additional 80,000 sqm over three new developments (Chapel Plaza (4,000sqm), 627 Chapel Street (25,000sqm) and the Jam Factory redevelopment (50,000sqm)⁴.

This increased supply is offering commercial tenants alternative office accommodation choices to other CBD fringe locations such as Richmond and Cremorne.

However, the new floorspace will be concentrated in a small number of larger office buildings, with rents in the range of circa \$550-600 per sqm⁵.

Rents for B Grad office space are more affordable, at circa \$400 per sqm but the available supply such space within the precinct is limited⁶.

The precinct is expected to require an additional circa 50,000 sqm of commercial floorspace by 2031⁷. The planning controls implemented as part of the Chapel ReVision are expected to result in the creation of commercial space on the upper two floors of new

developments in key locations within the centre. This is likely to create a future supply of small-medium sized commercial spaces over time.



Critical Mass - HIGH

The precinct offers a relatively high density and diversity of assets that will attract and retain business and employees. The precinct currently has significant amount of commercial, retail and hospitality floorspace within it, and this is forecast to grow substantially over the coming decade.

Table 1 CSAC Net Employment Floorspace Requirements, 2011 - 31 (square metres)

	2011	2021	2011-21	2031	2011-31
Retail	87,500	110,000	22,500	118,500	31,000
Commercial	95,500	157,500	62,000	210,700	115,200
Hospitality	37,500	67,000	29,500	87,000	49,500
Total	220,500	334,500	114,000	416,200	195,700

Source: SGS Economics and Planning

(Source: SGS – Chapel ReVision Development Projections Background Report, May 2013)

⁴ Source – Colliers International – Metro Office, First Half 2019 (p11)

⁵ Source – Colliers International – Metro Office, Second Half 2019 (p11)

⁶ ibid

⁷ Source – SGS – Chapel ReVision Development Projections Background Report, May 2013



Infrastructure – MODERATE

Whilst much of the precinct is yet to have access to the National Broadband Network, the NBN has issued contract instructions for its installation⁸.

The existing building stock within the Precinct is not sufficient to cater for significant growth in demand for commercial floorspace, although the planning framework will enable redevelopment to occur in future years. The issue will be whether new commercial floorspace can be constructed at a price which is affordable for small-medium enterprise.



Accessibility – HIGH

The precinct is relatively well connected to labour markets both within the region and across the wider metropolitan area. It is accessible via train stations at South Yarra, Prahran and Windsor, and tram routes along Chapel st, High st, Toorak, Commercial and Dandenong Roads. Substantial residential and commercial development around South Yarra station is already beginning to create access and congestion issues, which will need to be addressed if ongoing growth is to be sustained.



Anchor Institutions - MODERATE

There are currently no major research organisations or primary University/TAFE Campuses located within the precinct.

The Avenue and Alfred Hospitals are located to the east and west of the precinct. The Alfred facility includes a number of significant research facilities.

Other post-graduate education and training facilities located within the Precinct include Melbourne Polytechnic, Swinburne University and the National Institute of Circus Arts.

The proposed large new office buildings in the northern part of the precinct are likely to attract large corporate tenancies, although these buildings are yet to be pre-let or constructed at the time of this assessment.



Competitive advantage – MODERATE

The precinct has a number of distinctive assets (including accessibility to labour markets, heritage character, retail and hospitality) but these are yet to be fully leveraged to grow firms and jobs.

The tightening of supply and increase in cost of commercial space in the CBD and Cremorne, together with recent approvals for office development within the precinct is expected to stimulate strong interest in the precinct as a place for business activity.

Public realm projects such as the iconic Cato Square development are also lifting the profile of the precinct.



Collaboration – UNKNOWN

There are a significant number of businesses involved in related sectors (notably IT and design services) that are distributed across the precinct. Opportunities exist for these to grow into more significant clusters over time. The extent to which individuals, businesses and institutions collaborate within the precinct is unknown.

Cowork spaces provide opportunities for business collaboration, events and forums. Whilst there are some cowork spaces within the precinct, the total number of them is significantly lower than in locations such as Cremorne or the CBD.

There are no such spaces in the northern (South Yarra) part of the precinct, however there are circa six small-scale cowork studios located in the Southern (Windsor) part of the precinct.

⁸ Source: <https://www.nbnco.com.au/learn/rollout-map>

5.2.3. GLENFERRIE ROAD HAWTHORN - ASSESSMENT AGAINST THE ENTERPRISE PRECINCT FRAMEWORK



Quality of Place - MODERATE

The precinct has a moderate quality of place that is incrementally being enhanced over time.

The precinct has a traditional high street character along Glenferrie Road and a mixed commercial and retail character along Burwood Road.

Whilst the precinct offers some diversity of activities (the leisure centre, the Hawthorn arts centre gallery, Swinburne University), the precinct currently lacks a diversity of collaboration and 'meetup' spaces for businesses and workers, such as bars, public spaces, co-work spaces, event spaces, etc.

The Hawthorn Arts Centre provides an important anchor to the precinct. Its current focus is on arts and culture, and opportunities exist to utilise these facilities for a wider range of business and enterprise purposes.

The Swinburne University campus could have a stronger presence and be better integrated with the precinct in the following ways:

- Increasing the university presence at street level within the wider precinct (noting that this already occurs to some extent with the Swinburne Innovation Precinct facilities along Burwood Road)
- Creating more open and civic spaces that connect the campus to Glenferrie and Burwood Roads
- Creating new cultural and entertainment spaces that are shared by the university and the wider community

- Create higher quality pedestrian connections between the university and surrounds
- Revitalise the station precinct and its connections to the university.

Convenience retailing, food and beverage activities are prevalent in the precinct. There are limited night-time entertainment options within the centre. The precinct has also experienced high retail turnover vacancies in recent years (largely associated with the food and beverage sector).

There is potential to diversify the range of activities within the precinct and to reinvent its retail/hospitality mix to better cater for workers as well as residents and students.



Diversity and Inclusion – MODERATE

The percentage of residents living within the surrounding suburbs who were born overseas is similar to that of greater Melbourne. Residents are younger, earn higher incomes and are more educated than those across Greater Melbourne.



Availability of affordable workspaces – LOW

Commercial floorspace within the precinct is more affordable than in the CBD Fringe, but the availability of such space is low. Rents for new office developments and existing A-grade offices are averaging \$480/sqm and \$425/sqm respectively, while B-grade office rents are averaging \$360/sqm.

A scarcity of new office supply in the wider inner east region is resulting in increasing rents⁹. This scarcity is partially a result of high end residential developments out-competing commercial development in Hawthorn and similar locations over a number of years. As a result, many new tenants are renewing existing leases, often at a premium¹⁰.

There is some evidence that as the residential market begins to saturate or soften, that new office developments in Hawthorn and similar locations will become more feasible.



Critical Mass - MODERATE

The precinct offers a moderate number of assets that could attract and retain business and employees. For example, it currently has significant amount of retail and hospitality floorspace within it, as well as access to recreation, arts and education facilities (Hawthorn Leisure Centre, Hawthorn Arts Centre and Swinburne University). Hawthorn has a reasonably high number of PSTS workers and is a recognised suburban office precinct.

However, the scale of business activity and employment in the precinct is lower than a number of inner city employment locations, and it is distributed across a circa 2km length along Burwood Road.

There are still opportunities to substantially increase commercial floorspace along Burwood Road, which would contribute to creating a greater critical mass and economic vibrancy within the precinct.

⁹ Source – Colliers International – Metro Office, Second Half 2019, page 12

¹⁰ ibid



Infrastructure – MEDIUM

Most of the precinct has access to the National Broadband Network, and the NBN has issued contract instructions for its installation across the remainder of the precinct¹¹. The existing building stock within the Precinct is not sufficient to cater for significant growth in demand for commercial floorspace.

Whilst the existing planning framework will enable redevelopment to occur on a number of sites along Burwood Road, consideration could be given to increasing permissible building heights above the current 16-18m heights in order to facilitate increased commercial floorspace.

Consideration may also need to be given to revising planning controls so as to ensure that development opportunities are not primarily taken up by apartment projects within the precinct.



Accessibility – MEDIUM

The precinct is relatively well connected to labour markets both within the region and across the wider metropolitan area. It is accessible via the Glenferrie train station and tram routes along Glenferrie and Burwood Roads.

The central part of the precinct (at Glenferrie Station) is relatively congested, making access to the centre via both private car and tram difficult at times.



Anchor Institutions - HIGH

Swinburne University is located within the precinct. It provides both education and research facilities.

The existing Swinburne Innovation Precinct offers a number of innovation facilities and programs.

Opportunities exist for existing and future commercial space within the wider precinct to be taken up by businesses seeking to partner with the University in the creation of new products and services.

The University could potentially increase its presence at street level, and its industry engagement, (noting that the Swinburne Innovation Precinct is already a significant investment in realising innovation and industry partnerships).

The Hawthorn Arts Centre is not an 'anchor institution' but it does present opportunities for a range of civic and enterprise activities to occur which could support the growth of business enterprise within the wider precinct.



Competitive advantage – MEDIUM-LOW

The precinct has a number of assets (including Swinburne University, access to executive and skill labour markets, and a high street with retail and hospitality) but these are yet to be fully leveraged to grow firms and jobs.

Opportunities exist for government and business to build stronger relationships with Swinburne university

to help grow new enterprises and create new business partnerships. Opportunities also exist to create more collaborative spaces within the precinct (co-work, event and meetup spaces) and diversify the range of services, social and recreational activities available within the precinct in order to enhance its attractiveness as a location for businesses and workers.

Enterprise activities will not grow unless the supply of commercial floorspace is substantially increased. The current zoning regime enables residential to out compete office development, and the built form controls along Burwood road allow on conservatively scaled buildings. It may be necessary to review the zoning and built form controls in order to attract new commercial development and create a competitive advantage for the precinct.



Collaboration – UNKNOWN

There are a number of businesses and entities involved in related sectors (notably market research, education and IT) that are located within the precinct. These do not yet have the characteristics of a cluster and it is unclear whether these businesses already collaborate or not.

Spaces are needed within the precinct to support business collaboration, networks and forums. There is only one co-work space within the precinct, and only limited spaces are available for networking and events at Swinburne and the Hawthorn Arts Precinct.

¹¹ Source: <https://www.nbnco.com.au/learn/rollout-map>

5.2.3 MONASH CAULFIELD - ASSESSMENT AGAINST THE ENTERPRISE PRECINCT FRAMEWORK



Quality of Place – LOW-MODERATE

The quality of place varies across the precinct. Monash University has made a substantial investment in upgrading buildings and public space within its boundaries. The University is not particularly well integrated with the Train Station, Derby Road Shopping strip and Caulfield Racecourse reserve.

Whilst the Debry Road Shopping Strip offers a mix of convenience and hospitality businesses, it does not have a scale or offer a level of amenity or ‘buzz’ that would attract students and workers in large numbers.

There is some modest potential to diversify the range of activities within the precinct and to reinvent its retail/hospitality mix to better cater for workers as well as residents and students.

The amenity along the Princes Highway offers a poor pedestrian experience and the railway line is a significant barrier between the University and the Caulfield Racecourse Reserve.

The Caulfield Village development will introduce a significant number of new residents, which will increase activity levels south of the railway station and create opportunities for greater evening activity.

Masterplans are also being prepared for both the Caulfield Racecourse Reserve and the wider precinct, the implementation of which is expected to enhance the amenity, walkability and recreational opportunities within the precinct.



Diversity and Inclusion – MODERATE

The percentage of residents living within the surrounding suburbs who were born overseas is higher than that of greater Melbourne. A higher percentage of residents are attending university, which is to be expected given the presence of the university campus. Residents are younger, earn higher incomes and are more educated than those across Greater Melbourne.



Availability of affordable workspaces – LOW

Commercial floorspace within the precinct is more affordable than in the CBD Fringe, but the availability of such space within and close to this precinct is very low. There are very limited opportunities to create new commercial floorspace within the centre of this precinct, although opportunities may exist on its fringes, particularly further west along the Princes Highway towards Carnegie.



Critical Mass - LOW

The precinct does not currently offer a critical mass of assets and activities to be able to attract and retain new businesses and workers. Monash University is a major asset to the precinct, and over time hospitality and recreational opportunities may emerge in Debry Road, Caulfield Village and the Caulfield Racecourse reserve. However, it is unclear that these would be of a scale or nature that would result in the precinct offering a high critical mass of assets and activities needed to attract significant levels of business and worker activity.



Infrastructure – MEDIUM

Most of the precinct has access to the National Broadband Network, although the NBNCo rollout mapping suggests that the Monash University campus does not¹².

The existing building stock within the Precinct is not sufficient to cater for any significant growth in demand for commercial floorspace, and there are relatively few sites that could accommodate new commercial floorspace within the precinct.

Opportunities exist to create additional commercial floorspace within the Caulfield Village precinct, further west along the Princes Highway towards Carnegie and on a small number of sites within the precinct (such as the site on the corner of Dandenong Road and Sir John Monash drive). However, it would be necessary to revisit existing zoning and masterplan approvals in order to

There is likely to be ongoing demand for apartment accommodation within the precinct given the presence of Monash University. If opportunities for commercial floorspace were to be preserved within the precinct then consideration would need to be given to revising planning controls so as to ensure that such opportunities are not taken up by apartment projects.

¹² Source: <https://www.nbnco.com.au/learn/rollout-map>



Accessibility – MEDIUM

The precinct is relatively well connected to labour markets both within the region and across the wider metropolitan area. It is accessible via the Caulfield train station, tram routes along Balaclava and Wattletree Roads, and a small number of bus routes.

Caulfield station will benefit from the Melbourne Metro project, which will increase the capacity of this rail line by 45%. Melbourne Metro will enhance the accessibility of the precinct and therefore enhance its attractiveness for commercial development.



Anchor Institutions - HIGH

Monash University is located within the precinct. It provides both education and research facilities. The Caulfield campus accommodates a number of research laboratories, including the STARLab, Sensilab and a behavioural lab facility. The Sensilab facility incorporates design, advanced computing, fabrication and engineering facilities¹³.

The university has already invested over \$250m in the redevelopment of the campus. These works have substantially upgraded the quality of the teaching facilities and the campus environment more generally. Opportunities remain to further integrate the university with the surrounding built environment, and connect it to the retail strip along Derby Road.



Competitive advantage – LOW-MEDIUM

The precinct currently has a low base of commercial activity within its boundaries, and land constraints mean that there are only limited opportunities to increase the levels of activity in the precinct.

However, the presence of the university and its accessibility to the CBD via the enhanced rail services associated with Melbourne Metro will support growth in the education services in the precinct, and they may well also create opportunities for increased demand for professional services and other activities.

In particular, opportunities may exist to create commercial space to gain leverage off the activities within the university, whereby startup activities are incubated in a similar fashion to the incubation activities located at Swinburn's Hawthorn Campus.



Collaboration – UNKNOWN

Private sector employment within the precinct is low. The majority of private sector jobs are in accommodation, food services and retail trade.

There are less than 100 people working in PSTS jobs and only just over 100 people working in arts and recreational services.

There is no evidence of any business cluster activities, or of any cross-industry/research collaboration with Monash University.

Notwithstanding, the locations of the precinct centrally within a wider region that host many workers in the PSTS sector, combined with its quality access to the CBD and University facilities means that opportunities exist to create collaboration spaces that would serve residents, students and current/emerging businesses alike.

There are currently no co-work spaces within the precinct, and only a handful close to it.

The Caulfield Racecourse facility is available for networking and events although this is operated on a commercial basis. Spaces exist within the University campus but these are in demand across the day and week for teaching and related activities. Opportunities may therefore exist to create spaces for business networking and events, ideally as part of a collaborative work space facility.

¹³ Caulfield Station Precinct Employment & Innovation Analysis, CKC (October 2019)

5.2.4 CARNEGIE - ASSESSMENT AGAINST THE ENTERPRISE PRECINCT FRAMEWORK



Quality of Place –LOW MODERATE

Carnegie is a primarily a 'high street' shopping strip typical of many such strips found across metropolitan Melbourne. The northern section of the centre comprises a mix of peripheral sales retailing and other uses along Dandenong Road. It comprises a mixture of food and non food retailing together with a mix of hospitality outlets and local population-serving community facilities.

The recent grade-separation project has enhanced the quality of place, and better connected it to other locations (including Monash Caulfield by off-road walking and cycling routes.

The centre offers a reasonable quality 'high-street' experience for residents within its trade catchment, and a substantial number of cafes and restaurants within its trade catchment. However, aside from the hospitality facilities, the centre does not offer any significant destination characteristics that offer a level of amenity or 'buzz' that would attract workers in large numbers.



Diversity and Inclusion – HIGH

The percentage of residents living within the surrounding suburbs who were born overseas is significantly higher than that of greater Melbourne. A higher percentage of residents are attending university, and residents are younger than those across Greater Melbourne. This reflects

the precinct proximity to Monash Caulfield and the high number of international students enrolled there. Income levels are on a par with those across Greater Melbourne.



Availability of affordable workspaces – MEDIUM

The Carnegie Activity Centre currently offers circa 20,000sqm of commercial floorspace¹⁴. However, there only limited vacant commercial floorspace available within and adjacent to the centre.

Across other parts of the south-east region, rents for new office and A-grade office developments and are averaging \$335/sqm and \$305/sqm respectively, while B-grade office rents are averaging \$270/sqm¹⁵. This is considerably more affordable than in the Inner east and CBD fringe locations.

The precinct has a potential capacity to accommodate a further 37,000sqm of commercial floorspace¹⁶, and this is intended to be accommodated primarily in the urban renewal precinct north of the railway line.



Critical Mass - LOW

The precinct currently accommodates relatively modest levels of total employment and it does not currently offer a critical mass of assets and activities to be able to attract and retain new businesses and workers. It is very accessible to Monash University via multiple modes but it contains few assets within its own boundaries and whilst the centre has

the capacity to accommodate more commercial floorspace, the capacity is not of a scale that it likely to mark it as a major employment destination in its own right.



Infrastructure – MEDIUM

The precinct has access to the National Broadband Network¹⁷.

There are considerable opportunities for the construction of 4-8+ storey commercial buildings on land in the northern part of the precinct¹⁸.

The highway exposure of these sites, together with their access to the train line is likely to make these sites attractive for commercial development as demand grows. If opportunities for commercial floorspace are to be preserved in this location then planning mechanisms will need to be put in place to ensure that such opportunities are not taken up by apartment projects.



Accessibility – LOW-MEDIUM

The precinct is located on a train station and has good access to the Princes Highway.

The precinct is relatively well connected to labour markets both within the region and across the wider metropolitan area. It is accessible via the Carnegie train station and local bus routes.

¹⁴ Glen Eira Housing and Local Economy Growth Assessment, SGS (2018)

¹⁵ Colliers International – Metro Office, Second Half 2019 (p11)

¹⁶ GS (2018)

¹⁷ Source: <https://www.nbnco.com.au/learn/rollout-map>

¹⁸ Draft Carnegie Structure Plan (2018)



Anchor Institutions - LOW

There are no anchor institutions present within the precinct. However, Monash University (Caulfield) is located within 1.5 km the precinct, and is directly accessible by train, cycling and walking routes.



Competitive advantage – LOW

There precinct currently has a modest base of commercial activity within its boundaries, although there are opportunities to triple the total commercial floorspace within the centre over time.

The accessibility of the centre via the Princes Highway and rail line, and the potential to provide a diversity of hospitality and other services to businesses in the Koornang road retail strip is a competitive advantage for the precinct as an emerging suburban office location.



Collaboration – UNKNOWN

The majority of private sector jobs in the centre are in accommodation, food services, retail trade and health care/ social assistance.

Beyond these population serving employment clusters, there is no apparent evidence of any business cluster activities within the precinct.

There are less than 150 people working in PSTS jobs within the precinct.

There is currently only one co-work space within the precinct. Given its good local access to labour markets within the surrounding residential communities, opportunities may exist to establish additional collaborative work space and potentially small-scale spaces to support business networking and events.

These could either be co-located with community infrastructure within the centre, or a separate facility located on a higher profile location within the northern (urban renewal) part of the precinct.

5.2.5 BAYSIDE BUSINESS AND EMPLOYMENT AREA - ASSESSMENT AGAINST THE ENTERPRISE PRECINCT FRAMEWORK



Quality of Place – LOW

The precinct is in transition from a post-war industrial estate to a business precinct. Whilst many of the original buildings brick warehouse buildings remain, a number of them have been renovated, and many other sites have been redeveloped.

The precinct has an eclectic mix of manufacturing, office, warehouse, retail, residential, service industry recreation and community service activities.

Whilst it is a vibrant business location, in its current state it does not offer a level of amenity or 'buzz' that would attract PSTS workers in large numbers. However the precinct has already attracted a number of commercial tenancies and that the strengths of the location may well see this continues in the future

However, the precinct is likely to continue to be an attractive location for various types or hospitality, retail, recreation, and service industries that either do not easily fit or do not wish to be located within traditional high street activity centre locations.

The precinct is undergoing considerable renewal, due to a combination of factors, including:

- The scarcity of comparable alternative employment locations in the municipality,
- Strong demand for recreation and leisure services that are readily accommodated within the types of buildings available within the precinct
- Emerging demand for alternative format retail and hospitality experiences

- Demand for commercial space from business owners who live locally, and
- Accessibility to the nearby Cheltenham Activity Centre.



Diversity and Inclusion – LOW

The percentage of residents living within the surrounding suburbs who were born overseas is lower than that of greater Melbourne. A lower percentage of residents are young or are attending university. Residents earn higher incomes and are more educated than those across Greater Melbourne.



Availability of affordable workspaces – HIGH

Commercial floorspace within the precinct is more affordable than in the City Fringe, and in activity centre locations within the Southern region.

There is circa 66,000sqm of commercial floorspace available within the precinct, and whilst vacancy levels are relatively low, significant capacity exists for commercial floorspace to increase over time as former warehouse sites are redeveloped.

The existence of a significant supply of manufacturing and warehouse space within the precinct (circa 170,000sqm) provides significant opportunities for a wide diversity of businesses to establish within the precinct. The precinct caters well for companies seeking space for small-batch manufacturing, various types of product development, and combinations of office/fabrication/distribution activities.



Critical Mass - LOW

The precinct is locally significant as a place for manufacturing, office, warehouse, retail, service, constriction leisure and other employment activities. Whilst it does not currently have a density of assets and amenities that will attract large numbers of companies or workers in PSTS, or other innovation economy jobs, it has significant capacity for growth and transformation over time.



Infrastructure – MEDIUM

The precinct has access to the National Broadband Network¹⁹.

The existing building stock within the precinct can cater for growth in demand for commercial floorspace, and there are a significant number of sites that can accommodate higher densities of commercial floorspace within the precinct.



Accessibility – LOW-MEDIUM

The precinct is relatively well connected to labour markets both within the region and across the wider metropolitan area. Although it is located within walking distance of Southland train station, it is not serviced by multiple modes of high capacity public transport modes in the way that other enterprise precincts are.

¹⁹ Source: <https://www.nbnco.com.au/learn/rollout-map>



Anchor Institutions - LOW

There are no anchor institutions present within the precinct.



Competitive advantage – LOW-MEDIUM

The precinct does not presently offer a mix of assets to make it an optimal location for the clustering of knowledge economy firm workers.

However its mix of manufacturing, office, warehouse, retail, residential, service industry recreation and community service activities provide a strong base from which to grow businesses which have a local and regional markets.

The availability of land and buildings that are suitable for such a wide range of activities in a location that accommodates significant numbers of skilled managers and PSTS sector workers mean that this precinct is available asset to support a variety of high-value economic activities in the Inner South East region.



Collaboration – UNKNOWN

There is a wide range of businesses located within the precinct and there is high likelihood that some of these businesses either collaborate or suppliers/customers of each other. However, a more detailed study of this precinct would be needed to understand if this were the case or not.

There are currently no shared work or meeting/event spaces in the precinct to support collaborative activities. Some space to support shared work and collaboration would help support the precinct to function a more collaborative enterprise precinct.

6

Precedent Initiatives

CASE STUDY 1 - CREATING AFFORDABLE SHARED WORK-SPACES IN ACTIVITY CENTRES (CAMDEN COLLECTIVE, UNITED KINGDOM)

Whilst it is difficult to find other precincts outside of the Inner South-east Metropolitan region which have the identical mix of location and socio-economic circumstances, there are a number of places in Australia, the United Kingdom and United States that do have similar circumstances and face similar challenges.

This Chapter presents examples of locations with some comparable characteristics to those in the Inner South East Region have that have been able to respond to economic changes and attract business and job growth:

- 'High Street' Activity Centres:
 - Creating affordable shared work space
 - Creating workspaces on high streets
 - Creating 'low threshold' spaces for enterprise
 - Creating spaces for networking, business development and training
 - Designing spaces that are suitable for 'turn up and go' enterprise activity
- Integrating universities and activity centres
- Renewal of industrial areas as contemporary employment precincts.

This review of relevant case studies from other locations is done to inform the development of strategies and initiatives.

Camden Collective²⁰ is one of a number of shared workspaces across the United Kingdom that provides affordable workspace for creative industries and startups.

The Collective began in 2008 with funding from Camden Town Unlimited Business Improvement District (BID). It is a registered charity offering free hot-desking space and subsidised offices for creative start-ups in the heart of Camden Town (London). The Collective takes on temporary leases of empty buildings and makes them available to startups and small business enterprises.

The Collective started over 10 years ago. Since 2009, it has occupied 18 spaces and has taken on other startup related projects such as: pop-up shops, free courses, accelerators and the Camden Create Festival.

In the past, the Collective relied on grants from the BID, Mayoral and Borough funding but it is now fully self-sufficient, with income from lockable offices paying for free hot-desking, running costs of the project, as well funding building renovations and capital to create new ones.

The Temperance Hospital project is an example of their delivery model- with 150,000 GBP each from the BID and Greater London Authority, the Collective set up a workspace in a disused building for creative industries that were pre-trading through to established businesses. Rents are free for new businesses (comprising about 60% of the 250 tenants) and subsidised for established businesses.

To qualify for free space, businesses must be less than 6 months old, prepare a business plan and undergo quarterly reviews with the Collective²¹.



²⁰ www.camdencollective.co.uk

²¹ Future of London, 2017 p.10 ('Workspace that works')

CASE STUDY 2 - CREATING WORKPLACES ON THE HIGH STREET

The many challenges confronting high street retail means that it will become increasingly necessary to think more laterally about how we occupy and enliven vacant retail space in our high streets in the future.

Whilst the demand for 'bricks and mortar' retail space might be in decline, the demand for spaces for other forms of economic activity- including space for office work, creative arts and small scale manufacturing – is growing strongly.

Real estate firm CBRE has identified demand for what it has termed the 'work shop' – work space in suburban high streets that can be rented by the hour, day or week. CBRE has identified these spaces as being 'hyper-local' (within a walking distance from home) and complimentary to the larger style co-work operations.



Figure 18. Concept Sketch of the 'Work Shop' (CBRE, 2013)

The concept is for these small-scale work-spaces to function as a local convenience service just like the post office, bank or medical centre.

There are numerous local and international examples of shared workspaces located along high streets. Local examples include Nest Coworking (Thornbury) and Subject Studios (Brunswick).



Figure 19. The Nest Coworking, Thornbury.

Many such spaces are either established by small-scale commercial operators or by businesses seeking to share their space with other small businesses. High street rents are higher than comparable spaces in side streets or in industrial areas.

High street spaces often do not have sufficient floor areas to be profitable as 'for profit' cowork ventures, although in some lower rent settings, spaces rented by small businesses or cooperatives can successfully operate on a shared cost and basis.

There are a number of international examples where the reuse of commercial spaces in high street settings has been undertaken as a means of regenerating and renewing town centres.

For example, Folkestone Creative Quarter (Kent, England) restores and manages a variety of spaces for the promotion of creative industries and the wider renewal of the Folkestone town centre. The Creative Quarter concept was developed by Creative Folkestone (an arts charity launched in 2002)²², and it has restored and enlivened shop fronts in the town centre by opening them up for different businesses, practices, events and activities.

The Creative Quarter is a successful example of creatively-led regeneration- It has restored 90 buildings and look after 115 studios and offices and over 50 shops.



Figure 20. The Glassworks, Folkestone.



Figure 21. Folkestone Creative Quarter.

²² www.creativefolkestone.org.uk

CASE STUDY 3 - CREATING 'LOW THRESHOLD' SPACES FOR ENTERPRISE IN ACTIVITY CENTRES

Activity Centres will typically include lower-value (ie non-prime) non-residential spaces in and around their retail cores. These spaces might comprise spaces along side streets or rear laneways with lower pedestrian traffic, or niche spaces along the edges of rail corridors or other infrastructure.

They might be found in older un-renovated buildings or they might be the ground floor spaces mandated by planners as part of multi-level apartment approvals. These are spaces that are often not well suited to retail uses that rely on exposure and passing pedestrians, but they may be very well suited to a range of 'low threshold' enterprise activities, ranging from shared office space, to studios for creative industries and small-scale manufacturers.

The Mayor of London has published extensive research on the renewal of high streets, and this work outlines how 'low threshold enterprises' (LTEs) can occupy these spaces to help revitalise town centres²³.

The research suggest that certain types of LTEs are best suited to 'low threshold' locations within town centres and it identifies the strategic and economic value of LTEs in town centres, as well as the barriers to such enterprises being accommodated. These include:

- Vacant space not being made available to LTEs
- It is common for developers or landlords to seek rents for non-prime locations at a level that is above what the market is prepared to pay. Sometimes developers are locked into these rents by their development feasibilities and funding instruments²⁴.

'LOW THRESHOLD' ENTERPRISE SPACE IN TOWN CENTRES

- Town centre boundary
- Likely to be LTEs
- May be LTEs
- Not likely to be LTEs

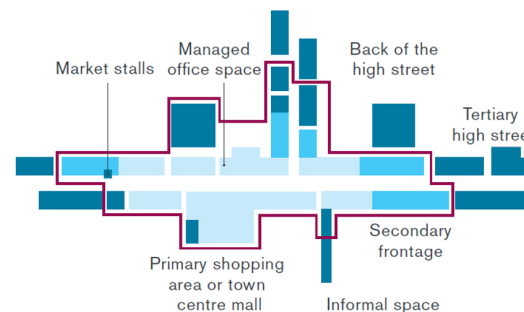


Figure 22. Conceptual locations for low-threshold enterprises in town centres²⁵.

In these instances, non-prime locations will remain vacant for long period of time, despite their being demand for such space by LTEs at a lower price than the asking rents.

- Cost of low threshold space – even where spaces are available at an acceptable rental, fitout costs, municipal rates and other charges can be prohibitive for LTEs.
- Inflexibility of lease terms – SME's by their nature requires short term, flexible occupation arrangements but commercial landlords and agents typically seek long term leases.



Figure 23. Use of upper level of an older building for coworking (Rubato Upstairs, Brunswick).

²³ Greater London Authority, 2019 ('High Streets and Town Centres: Adaptive Strategies')

²⁴ <https://www.abc.net.au/news/2019-06-06/ghost-shops-haunting-new-developments/11184644>

²⁵ Mayor of London Regenerations Guide #2, 2015 ('Creating Open Workspaces')

CASE STUDY 4 - CREATING SPACES FOR NETWORKING, BUSINESS DEVELOPMENT AND TRAINING

Startup and established businesses alike frequently need access to space to hold meetings with staff, colleagues, clients and suppliers, engage in professional development and training and network with peers. In many cases, the business operator will not have access to suitable space within their own premises and there is often a shortage of spaces to hire in most activity centres and business precincts. Even where spaces exist, they are often not suitable for startup or business-to business activities, or they are prohibitively expensive.

Successful enterprise precincts provide a variety of spaces for individuals to meet – a mixture of formal and informal spaces, ranging from event rooms through to small meeting spaces, an informal lounges and hospitality spaces where they can meet, develop ideas and undertake business.

There are a variety of ‘business space’ models that existing in enterprise precincts across the globe. The Venture Café model is one particularly successful model that aims to build innovation communities by offering programming and connections that build relationships between students, startups, entrepreneurs, corporates, investors and other organisations.

Venture Café was an experiment born out of the Cambridge Innovation Center (CIC) in 2009²⁶. CIC identified the need for an environment where entrepreneurs could hone ideas, raise money, access mentorship, connection to deep knowledge, and find collaboration opportunities.

Venture café was created to manage spaces to enable these things to occur.

The CIC ‘Venture café’ provided space for innovators and entrepreneurs to engage in spontaneous conversations and semi-curated programming. It was highly successful and shortly led to Venture Café being appointed to curate the Boston District Hall.

Boston District Hall was created as a public/private partnership in 2010²⁷. It was conceived as a ‘living room’ for the wider Boston Innovation District where entrepreneurs, students, startups, innovators and the wider community could come together and develop their ideas and projects. District Hall offers a public lounge, a range of meeting and event spaces, and working spaces. In 2018 it hosted over 600 events, 30 free public programs and over 1800 entrepreneurs and startups.



Figure 24. 1819 Innovation Hub, University of Cincinnati.

The Venture Café Global Institute now runs 10 facilities worldwide, including a space at Macquarie Park in Sydney. Similar facilities are being created by governments and universities in partnership with the private sector across the globe – including the 1819 Innovation Hub in Cincinnati, Impact Hub in Westminster and Media TIC in Barcelona.



Figure 25. Boston District Hall.

²⁶ <https://venturecafecambridge.org/>

²⁷ <https://districthallboston.org/>

CASE STUDY 5 - DESIGNING SPACES THAT ARE SUITABLE FOR 'TURN UP AND GO' ENTERPRISE ACTIVITY

The construction of multi-level commercial and apartment developments in activity centres is ubiquitous. The typical design response at street level is to use the leftover space (once the foyer, carpark entry, waste and other service areas are accounted for) as retail spaces.

It is common for such spaces to remain vacant for very long periods, and to ultimately either be converted to residential use or attract marginal retail activities. Not only do these vacant spaces blight local streets, but they represent significant lost opportunities for economic activation within neighbourhoods.

A study commissioned by the Greater London Authority found that such vacancies have largely arisen due to a mixture of spaces having poor locations to support retail and other uses, and rental expectations of building owners being unrealistic for the context.²⁸



Figure 26. Typical vacant shop at ground floor of apartment development

The study recommended a number of interventions to prevent this problem from arising. These included taking greater care with the location of such spaces at the planning stage, encouraging developers and financiers to adopt realistic rents in development feasibilities and investment portfolios, providing greater flexibility in permitting a wider range of non-residential uses, and making improvements to design and fitout of such spaces. The Study included Good Practice Checklist for non-residential ground floors in mixed-use schemes, which addressed the following matters:

Use and Demand:

- Understand the demand for different land uses within in the district
- Ensure the type, specification and pricing of spaces better matches expected demand.



Figure 27. Typical fitted out cowork office space.

Location:

- Consider if the location is going to provide the appropriate footfall for the type and number of non-residential units.

Unit Design:

- Ensure units are an appropriate shape that is flexible to occupy for a variety of users
- Ensure units do not contain unnecessary columns, and that the floor is one level where possible.
- Consider the residential elements of the building (such as lobbies, bin or bicycle storage) do not compromise with the non-residential unit usage.
- Ensure the unit has space to accommodate back of house functions alongside public facing activity space – the study nominated 15m as an appropriate guide.
- Ensure the unit has sufficient ceiling height- with 3.3m nominated as a guide.
- Ensure the unit has access to independent toilet, kitchen, waste storage and heating facilities.
- Consider noise attenuation and ventilation of the unit.

Pricing, Marketing & Management:

- Ensuring that pricing and marketing of non-residential units taken account of local economic context, including local demand and vacancy.
- Ensuring that spaces are well managed by parties who have a good understanding of the local market context and opportunities.
- Consider provision of rent-free period initiatives and owner-funding of fitouts to ensure the space is occupied quickly.

²⁸ Greater London Authority, 2016 (Vacant Ground Floors in New Mixed Use Development)

A related report prepared by the Future of London provides guidance on the design of workspaces for startups, artists and maker-spaces. It contains a series of recommended dos and don'ts for Council who are seeing to facilitate or operate shared workspace facilities²⁹.

The London Borough of Hackney (LBH) has been actively buying up some secondary retail spaces in order to take control over the design and delivery of suitable quality workspace³⁰. This is seen by the Borough as a commercial investment, and LBH insists on the fitout of employment space going beyond the usual shell and core. They require developers to put in place the basic fittings in order to enable occupation by tenants who would not otherwise have the resources to fit out the premises themselves.

LBH also normally require doubly heights on ground floor to both give greater flexibility to occupiers but also to act as a disincentive to residential conversion.

The Borough targets these spaces at small and emerging companies.

SME space at rear

SME space at ground level on a secondary street can create active elevations and provide space for businesses that benefit from high street proximity and transport accessibility, but do not require high levels of footfall to operate successfully



SME space at front

Dedicated space for SMEs at the front may include shared offices and Incubator Accelerator, Co-working (IAC) space



Figure 28. Concept design for accommodating space for SMEs in new multi-level developments³¹.

²⁹ Future of London, 2011 ('Workspace that works')

³⁰ Mayor of London, 2019 ('High Streets and Town Centres: Adaptive Strategies')

³¹ Mayor of London, 2014 ('Accommodating Growth in Town Centres').

CASE STUDY 6 - INTEGRATING UNIVERSITIES AND ACTIVITY CENTRES

Increasingly, universities are beginning to partner with local government and communities to develop strategies to better integrate the design and function of their facilities within the wider urban area. This approach has multiple benefits to the university, its students, and surrounding communities and businesses.

From the perspective of locations being able to attract business and job growth, a more open approach to integrating universities into their neighbourhoods makes them more accessible to the business community. The benefits of greater accessibility might be that employers have easier access to employment of graduates, better access to the facilities that university campuses offer, and (where relevant) easier access to the research and development capabilities of the university.

The Footscray University Town initiative is a local example of efforts to integrate university activities with the activity centre in which it is located.

The initiative is seeking to stimulating Footscray's local economy, activate unused spaces, integrate existing infrastructure, build new infrastructure and encouraging innovation ³².

Victoria University has two campuses in Footscray and a number of other partnerships and activities in the area. These include collaborations with the Footscray Community Arts Centre, and teaching and research activities at Whitten Oval and the Western Hospital.

Almost 20,000 university students already study in Footscray, and an increasing number will be living in Footscray under the plan.

Key features of the program include:

- A learning precincts project
- A smart city strategy
- Sports and health partnership
- An enhanced evening economy
- A new library and community hub

- A festival and events program
- A graduate to employment program
- A startup business generator and business attraction program
- Increased affordable accommodation for students

The initiative is supported by a masterplan which seeks to bring together these and other elements into a single University Town³³ (Fig 29).



Figure 29. Footscray University Town Place Plan

³² <https://engagementaustralia.org.au/vu-creating-its-own-university-town-in-footscray/>

³³ Maribyrnong Council & Victoria University, 2016 ('Footscray University Town Program 2017-2020')

Various other international examples of this ‘University Town’ approach exist – for example the Portland University District, where the Portland State University Masterplan envisages the substantial future growth of the university to be embedded into the surrounding district (Fig 30) , and the City of Portland’s District Plan supports a range of initiatives to improve access and amenity within the University District.



Figure 30. Portland State University Masterplan

CASE STUDY 7 - RENEWAL OF INDUSTRIAL AREAS AS CONTEMPORARY EMPLOYMENT PRECINCTS

Some global exemplars of older industrial area that are undergoing renewal into contemporary employment precincts include Fulton Markets (Chicago), Central Eastside (Portland) and False Creek Flats (Vancouver). Each of these places has some common characteristics:

- Each has remained predominately industrial until very recent times.
- Each is relatively large (at least 80ha in total area) and has an existing critical mass of businesses and employment³⁴
- Each is located relatively close to the downtown centre of their respective cities, and is accessible by multiple public transport modes.
- Each has a share of large land holdings and large older style warehouse buildings.
- There is a mixture of older warehouses (many with heritage character) and new development in each place.
- Each is undergoing rapid change, with significant refurbishment and redevelopment of land.

The precincts vary in terms of the mix of businesses, their historic character and the degree to which they have evolved from predominately industrial/warehouse uses to a more diverse range of business activities.

For instance:

- Fulton Market is evolving from its meatpacking origins to a location which has a mixture of food production, dining, entertainment, offices and housing.
- New hospital and university campuses, together with

an innovation hub are proposed in False Creek Flats. Large areas of land are to be set aside for ongoing industrial activity (Fig 31).

- Central Eastside is already a fine grain mix of industrial, office, residential retail and restaurant activities. Housing and job growth are expected to continue within the precinct in future.

Land use and infrastructure plans are in place for each precinct. They each promote the evolution of these industrial areas into 21st century employment precincts which offer a diversity of businesses and a wider mix of amenities (Fig 32). They also each promote upgrades to infrastructure to support the employment function of the precinct, and the use of design guidelines, place management and other techniques to ensure that the character and quality of each precinct is improved over time.



Figure 31. Existing land use mix in Portland's Central East Side



Figure 33. Fulton Market Innovation District

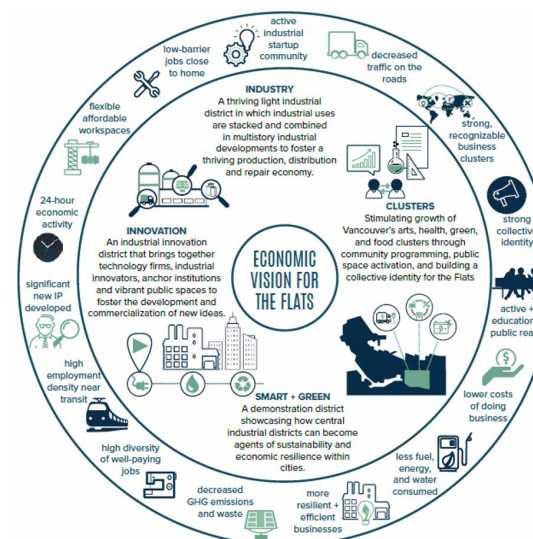


Figure 32. Economic vision for False Creek Flats, Vancouver

³⁴ Fulton Market- 10,000 jobs, Central Estate 10,000+ jobs, False Creek Flats 8,000+ jobs.

7 Study observations

7.1 THERE IS MISMATCH BETWEEN LOCAL EMPLOYMENT AND THE SKILLS/ OCCUPATIONS OF LOCAL RESIDENTS IN THE REGION.

A number of observations can be drawn from the analysis of the region and the five nominated economic precincts, together with the review of case studies from elsewhere.

These are as follows:

- There is currently a mismatch between local employment and the skills/occupations of local residents in the region.
- More can be done to support the space needs of startups, scaleups and SMEs, particularly in the PSTS sector.
- The different commercial drivers of developers and tenants need to be understood and addressed.
- There is a need to create identifiable business precincts in the region.
- Vacant retail spaces represent an opportunity for the region.
- Without planning interventions, apartment development may continue to out-compete commercial development in activity centres.
- Other planning interventions are needed to facilitate the creation of more commercial buildings in the region.

Each of the above observations are discussed on the following pages.

The overall number of jobs that are available within the region per head of population is generally comparable to other regions outside the Inner Metro region (792 jobs for every 1000 residents) but the proportion of residents who work in the region is lower than in other metropolitan regions.

This and other data points to there being a degree of mismatch between the types and quality of jobs that are available in the region and the skills and occupations of residents in the region.

This is particularly evident in relation to business and employment in the PSTS sector. This is due in large part to the relative proximity of this region to the inner Metro region where many of these jobs are located. The factors that lead to the concentration of PSTS jobs in the inner core of capital cities are well documented, and they include the agglomeration benefits that come from co-location, the ability to draw on a metropolitan-wide talent pool, and a desire to be close to high levels of amenity and services.

However, the scarcity of suitable commercial floorspace options within the region significantly contributes towards the out-migration of workers from the region – it is not possible for a worker of employer to be based in the region if there is no suitable workspace available.

The research findings suggests there are opportunities to increase the number of PSTS jobs that are located within this region (and potentially employment in the health and education sectors as well) if the right environment is created for businesses to establish. This is particularly likely to be the case for self-employed, micro and small businesses whose employees already live within or close to the region.

However there are also numerous examples of larger professional services firms and industry corporations choosing to locate on suburban locations which meet their operational requirements or simply because they do not require an inner city location.

Melbourne's continued growth is likely to support an increased number of PSTS jobs that can be established in the region, as the cost of doing business in the central city (both in terms of rent but also congestion-related productivity costs) increases.

7.2 MORE CAN BE DONE TO SUPPORT THE SPACE NEEDS OF STARTUPS, SCALEUPS AND SMES, PARTICULARLY IN THE PSTS SECTOR.

PSTS businesses that employ over 20 workers are predominantly located in the Melbourne CBD and inner city office precincts such as South Yarra, Richmond, South Melbourne and Hawthorn, as well as metropolitan activity centres such as Dandenong and Box Hill. Many businesses of this scale are likely to continue to be drawn to inner city locations due to the agglomeration, labour pool, amenity and other reasons mentioned earlier.

However, the PSTS sector is predominantly small and medium sized businesses providing professional services including accounting, legal, IT, and consulting activities (refer figure 1 overleaf). They represent a core source of demand for suburban office space.

Many opportunities exist to attract and grow startup, scaleup and SME businesses (particularly PSTS businesses) within the inner south east region.

Across metropolitan Melbourne, around 50-60% of all PSTS businesses do not employ workers other than the business owner, and many only employ a few people. Meeting the needs of businesses of this scale is a particular opportunity in the inner south east region. There may also be the potential for some of these businesses to remain in the region as they grow, provided there is suitable office accommodation for medium sized firms.

There has been some growth in the coworking sector in the region in response to local demand for flexible work space. Some of the larger operators also offer the option for businesses to 'scale up' to larger spaces on longer term leases.

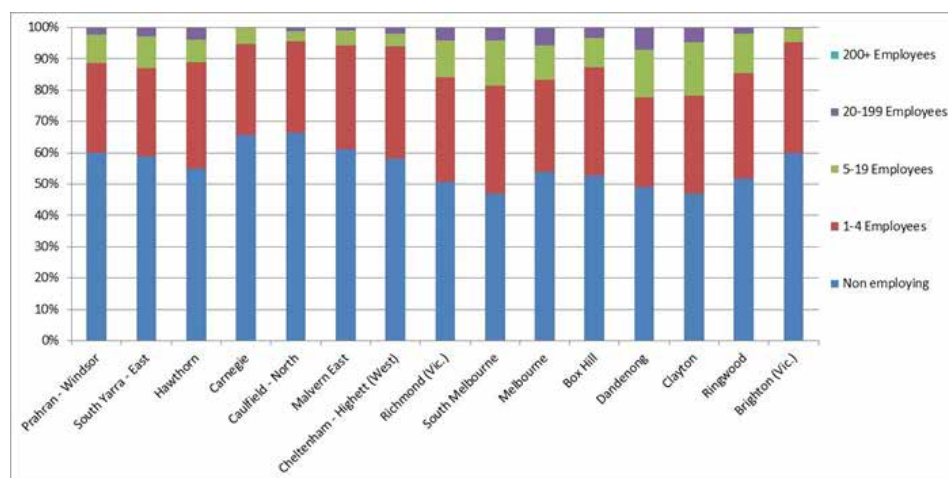


Figure 34. Distribution of PSTS Size by Selected Suburb

On top of this, local agents and developers report strong demand for small boutique offices in locations served by good public transport and amenity.

The real depth of market for both flexible work spaces and small offices is unknown.

The socio-economics of the region and anecdotal evidence both suggest that there is likely to be a reasonable sized market for smaller commercial spaces (either for flexible workspaces or for SMEs) in the region.

The existence or otherwise of a real demand for such spaces can only be demonstrated if there are tangible market mechanisms that enable the demand to be expressed. At the moment, there are too many barriers facing developers in being able to pursue commercial development projects in this region (as discussed elsewhere in this report).

7.2.1 THE NEED FOR COWORK SPACES

Cowork spaces provide one means of local demand for commercial floorspace to be expressed, and to date the demand has been strong for high quality products in the right locations.

Coworking operations are still relatively nascent in this region, and they are tending to establish primarily in areas closer to the central city. The depth of market for this type of space is not easily determined- as one operator put it, each operator has its own market niche and therefore only attracts businesses that fit within that particular niche.

Cowork operators play an important role in facilitating the growth of startups and SMEs. Many startups and small businesses lack access to the capital to cover a deposit or market rents, or they might not be able to commit to a year-long lease. Cowork operators help absorb some of the risk of starting businesses, and they offer flexible terms to help entrepreneurs in the early days.

Cowork spaces usually offer additional services to business owners, and as s curated communities, they can have clustering effects that improve users' networks, productivity and wellbeing.

Importantly, cowork spaces can also increase activity on high streets, and offer benefits to local supply chains. They can positively contribute to the identity of places and individual buildings.

Cowork operators sit between the landlord and the tenant – they ae bound by standard commercial lease terms and responsible for the usual tenant fitout, maintenance and outgoings, and they are reliant on the take-up of memberships to generate sufficient revenue to pay the rent, operate the facility, pay staff wages, etc.

It is a business model that is highly vulnerable to changes in economic conditions. When the economy is weak, operators may not be able generate sufficient revenue to remain viable, and when it is strong, the operators are exposed to increased rents which they may not necessarily be able to pass on to members, depending on the level of competition within the sector.

Internationally, Cowork operators that are focussed on the provision of low-cost workspace for startups and SMEs have proven to be at the greatest risk of failure³⁵.

The UK national government, Mayor of London and local Boroughs are considering various recommendations for government intervention to support the co-work sector, including:

- Funding to support cowork spaces that provide affordable work spaces for startups and SMEs
- Changes to planning laws to prevent the conversion of certain commercial spaces to residential
- Use of government land and buildings for cowork facilities
- Use of development contributions to fund the creation affordable shared workspaces
- Rate relief for certain categories of cowork operations³⁶

Whilst sole traders seeking a single desk in a communal work space have traditionally been a large part of the demand, many local cowork operators have reported a strong trend towards smaller companies seeking private, lockable space³⁷.

³⁵ London Enterprise Action Partnership, 2018 ('The Affordability Crisis')

³⁶ Ibid, plus IPPR, 2016 ('Start me up: The value of workspaces for small businesses, entrepreneurs and artists in London')

³⁷ This reflects wider trends in the cowork sector- see for example 'Coworking and flexible offices here to stay' by Robert Harley in the AFR 19th September 2019

7.2.2 THE NEED FOR SMALL OFFICE SPACES

Whilst cowork spaces offer space for SME growth, once a company reaches a certain size (4-6 people), it is common for them to seek separate office spaces for their businesses. This is in part because cowork spaces can become relatively more expensive than leasing a small office and also because its benefits (flexibility, networking, etc.) begin to be outweighed by the benefit of the SME having its own office (privacy, separate business identity, etc.).

Assuming an average floorspace ratio of 12 sqm per worker, a business employing up to 4 workers would require a small office suite of around 50 sqm. Businesses of this scale typically seek to benefit from locations that offer affordable rents, low overheads, access and access to quality local transport, business support services and worker amenities. Many SMEs also want to be part of an identifiable business precinct, where there are opportunities for collaboration and business to business activities.

These are the types of spaces that are needed in the region to attract businesses and support their growth.

While PSTS businesses employing 1-4 workers account for a significant majority of businesses across suburban Melbourne, those that employ in the range of 5-19 people are likely to account for a comparable level of total employment to the smaller PSTS businesses. In addition, non-PSTS businesses such as head office of businesses within the construction sector, are also a source of demand for corporate offices in suburban locations.

A business employing 5-19 workers would require a total office space of approximately 250-300sqm. Businesses of this scale are typically well established and they rely less on access to shared services and facilities. They are typically looking for a space with its own identifiable address and internal facilities such as a boardroom, and (like most businesses) they are seeking access to quality local transport, business support services and worker amenities nearby.

If the inner south east region is to attract more PSTS and other businesses, it needs to be able to offer a variety of accommodation options to meet the needs of businesses within these size-ranges.

Providing space for the 'scaleup' phase of business growth would appear to be a particular opportunity for growth in the commercial sector in the south-east region, but there is little evidence of this happening to date. It is likely that there is an underlying demand for both rental and owner-occupied small/boutique office space in the region, although this requires further investigation.

7.3 THE DIFFERENT COMMERCIAL DRIVERS OF DEVELOPERS AND TENANTS NEED TO BE UNDERSTOOD AND ADDRESSED.

One of the challenges in realising increases in commercial floorspace is the different needs and expectation of the building developer versus the prospective tenant.

When a potential tenant (be they a flexible workspace operator or a business looking to rent space) is looking for space they need the space now or in the very near future. They are not willing or able to pre-commit to unbuilt space and wait for its delivery in 2-3 years time. In the case of SME's they typically want to see the space before committing, and they are often reluctant to commit to long term leases given the dynamic and uncertain nature of small business.

The developer on the other hand often needs tenant pre-commitment in order to obtain project finance. Addressing this market failure may well be one way of providing more supply of commercial floorspace in the region.

One solution would be for an entity to act as a broker or underwriter of commercial leases to enable the developer to finance the build. The entity would either take on or underwrite the lease and then to transfer the lease (or sub-lease the space) to other entities once the spaces have been created.

7.4 VACANT RETAIL SPACES REPRESENT AN OPPORTUNITY FOR THE REGION.

The prevalence of vacant ground floor space in high street locations, and in the ground floor of apartment buildings present opportunities for the creation of more office space for small businesses seeking space in the region.

Often these spaces are of a suitable size for a small business, and they are typically in locations well serviced by amenities and public transport.

Given the uncertain future of retailing, there is considerable scope for existing spaces across the region to be repurposed from a retail use to a variety of uses that employment generating uses including business services as well as creative industries, health, community and leisure/recreation activities.

The catalyst for change in many locations can often be a single business or a single space which by the nature of its operations points to a different type of future for an area. For example, establishing flexible space in a central location in an activity centre that offers both a place to work and spaces for community and business events sends a different message about the future role of that centre than (say) the creation of a handful of new storefronts.

However there are a number of barriers to this being realised, including high rental expectations of landowners, inadequate design of the spaces, the need for new planning and building consents, and inadequate provision of carparking in some instances³⁸. There is scope to address and overcome some of these barriers.

The City of Stonnington's 'From Vacant to Vibrant Action Plan' contains many useful initiatives to deal with retail vacancies, including providing funding for the short-term use of vacant space and the potential application of higher differential rates to vacant commercial properties. These and other strategies would be readily applicable to other activity centres across the Inner South East region.

More work can be done to better define preferred locations and designs of buildings to better accommodate office space. Each activity centre within the region will have 'low threshold' (i.e. non-prime) locations where either building space exists, or may be created as part of future development. Councils should decide where within each centre they wish to encourage office space vs retail space, and then work with landowners/developers to ensure that buildings are refurbished or developed to a standard that is suitable for office or other business related activities.

The UK Good Practice Checklist provides a useful starting point on the design of spaces for commercial purposes.

³⁸ see <https://www.linkedin.com/pulse/ghost-shops-problem-oversupply-lack-imagination-mark-woodland/> for further discussion.

7.5 THERE IS A NEED TO CREATE IDENTIFIABLE BUSINESS PRECINCTS IN THE REGION.

Employer and workers are increasingly seeking locations that are highly accessible and where they can 'live work and play'. Whilst some of the larger activity centres in the region have the potential to fulfil this role, they are typically designed for and positioned as retail based centres rather than business precincts.

This is in contrast to the much more identifiable business precincts that exist in the adjoining regions. For instance:

- The Melbourne, Yarra and Port Phillip LGAs already have identifiable and well established business precincts that are well connected to the wider metropolitan area. These locations will continue to be key workplaces for residents in the inner south east region due to the scale and concentration of higher profile businesses that value a central location.
- The nearby LGAs of Monash and Kingston also offer considerable opportunity to attract further business investment, development and employment opportunities due to their more abundant supply of industrial zoned land which can be repurposed for office development over time.

Whilst locations such as South Yarra, Prahran and Windsor have sufficient critical mass and proximity to the central city to benefit from the 'ripple effect' of strong demand and high rents in locations like Cremorne, locations a little further out do not have that same opportunity.

As one local agent put it, in locations circa 7km+ from the CBD there is a need to '*drop a new stone in the water and create your own story*'.

The ability to realise any such vision is still dependent on there being sufficient depth in the local and regional commercial office market to support the commercial viability of new development. This may take some time in some locations, as there is likely to be a decade or more supply of development sites for office development in the CBD fringe office precincts.

The distinctive attributes of each place within the Inner South East need to be harnessed to create a reason for businesses to want to establish there.

A greater supply and diversity of workspaces is needed in order to realise these outcomes. The level of amenity and accessibility of these locations also requires enhancement in order to make them truly compelling locations for businesses to establish.

It will be necessary to focus on a small number of high quality locations that can support the level of regional accessibility, critical mass and amenity needed to realise these outcomes.

The following opportunities have been identified from the analysis undertaken on the five case-study precincts in this project:

Prahran/South Yarra/Windsor:

This is a large precinct that is already experiencing the spill over effects from the tightening vacancies and rising rents in locations such as the CBD and Cremorne. If property market interest in constructing larger-scale office development continues in this precinct then it will most likely naturally take on a strong 'business precinct' identity.

However opportunities exist for Council to nurture the creation of smaller scale office spaces along the length of the precinct. This might take a variety of forms, ranging from the reuse of retail spaces in non-prime locations, use of ground floor space in new apartment developments, use of first floor space in existing and new buildings, reuse of older commercial buildings on side streets (particularly in the southern part of the precinct).

The 'Chapel Vision' Activity Centre Zone (ACZ) controls are expected to deliver an increase in supply of smaller scale office spaces within the precinct, and opportunities may exist to use this control in more creative ways. For example, Council might consider the following strategies alongside the existing ACZ controls:

- Transferable development rights, whereby developers can satisfy obligations to create commercial space on alternative sites within a precinct.

- Cash in lieu options –whereby developers to satisfy their floorspace requirements into a cash payment that is paid into a trust fund which is used to create affordable floorspace on alternative sites within the precinct.

Hawthorn – Glenferrie Road:

The combination of Swinburne University and the leisure/amenity of Glenferrie Road provide a foundation for the growth of technology, engineering and advanced manufacturing businesses. The precinct is well served by public transport and it also has a number of assets (retail, services, recreation, town hall arts, etc.).

The opportunity exists for Council and the State Government to partner with Swinburne to develop a 'University Town' identity for the precinct similar to that being pursued in Footscray and many other locations across the globe.

Caulfield – Monash University:

There are relatively limited development opportunities within this precinct. However, the combination of Monash University, the Melbourne Metro project, Caulfield Village and Caulfield Racecourse eserve will over time create sufficient amenity and convenience to make this a desirable location for a moderately scaled business hub to service the region.

Carnegie:

Given its location and characteristics, Carnegie is only likely to function as a local and sub-regional employment precinct. However, the availability of development sites combined with access to a train station and strong local retail strip present opportunities to create a strong small-scale employment hub.

Council already has a vision to create office space in the northern section of this precinct, and it is proposing to introduce new planning controls as a mechanism to realise this vision. Opportunities exist to catalyse this vision by partnering with a local developer and the State Government to create an iconic commercial development on a prominent site within this precinct.

Council and the State should explore if there is any public land where this might be facilitated and if not what government can do to incentivise a private developer to construct an office building in this location. For example, Council and/or the state might commit to a certain amount of commercial space in the building, and also to co-sponsor the establishment of a shared workspace within the building.

Bayside Business & Employment Area:

The Bayside Business & Employment area is a rare commodity for this region. It is one of only a handful of industrial precincts within the region, and it is located centrally to communities with a high percentage of business owners, entrepreneurs and professionals.

The older industrial building stock in the precinct presents opportunities for the creation of a mixture of low-rise office buildings and the reuse of existing buildings for startup and scale up businesses, including small –scale manufacturing businesses and creative industries.

The precinct is relatively large but is under-utilised in terms of its development potential and also the current employment levels that it supports (the Fulton Market in Chicago is a similar size, but accommodates well over double the number of jobs).

There are already many signs of change in this precinct – a wide mix of new businesses are locating within the precincts, and many sites are beginning to be redeveloped. Whilst this is likely to continue without any intervention, there are many opportunities to expand and accelerate growth within the precinct.

It is a location where boutique offices, small-scale manufacturing, creative industries, food production, hospitality and recreation activities will all most likely succeed. The opportunity exists to create a strong brand and identity for this precinct, and for Council and the State government to help curate and facilitate these types of activities.

The precinct does not currently have any obvious ‘front door’ – a place for businesses and visitors alike to meet, run events, hire meeting rooms, run markets, and other activities. Opportunities exist for Council and the State government to work with the private sector to lease and renovate a building which provides all of these facilities.

Other Activity Centres:

The amenity of many other activity centre such a Church Street Brighton and High Street Armadale provide a foundation for growth in professional services businesses operated by residents who live locally.

Opportunities will exist in each of the other activity centres to create a wider diversity of office spaces, using a range of strategies referred to in the case studies section of this report. This might include the use of vacant high street spaces or ‘low threshold’ spaces, or by government partnering with the private and not-for-profit sectors to facilitate the creation of shared workspaces in refurbished or new buildings.

7.6 APARTMENT DEVELOPMENT WILL CONTINUE TO COMPETE WITH COMMERCIAL DEVELOPMENT IN ACTIVITY CENTRES.

Apartment development has largely out-competed commercial development in activity centres in the past decade or more. There is a risk that this may continue to be the case in future years as well.

The population of the region is forecast to grow by an additional 100,000 people over the period 2016-2031. This will continue to drive demand for housing in the region.

The presence of universities within and close to the region will continue to drive demand for student accommodation, as will the region's good proximity to the central city.

This housing demand will continue to be strong in those locations that are close to services and public transport. It is therefore likely that apartment demand will remain strong in the longer term, and this demand will continue to create competition for development sites for commercial buildings in the region.

Whilst the 'feasibility gap' between residential and commercial development might be beginning to narrow, the challenge in the short-medium term will continue to be retaining strategic locations for employment uses in a market context that favours residential over commercial development.

Without a planning policy framework that prioritises commercial floorspace in key locations, it is likely that many of the more optimal locations to create commercial buildings will be taken up by residential development in the short-medium term.

This is the case because residential development is 'as of right' under the zoning that applies in most activity centre locations and it continues to be a more profitable and certain form of development than commercial development in the Inner South East region. The implication of this occurring is that activity centres increasingly become dormitory locations which may impact upon their vibrancy and attractiveness.

7.7 OPPORTUNITIES FOR THE CREATION OF COMMERCIAL BUILDINGS ARE LIMITED BY OTHER FACTORS AS WELL.

The logical place to create the types of workspaces described in section 4.2 is in the larger existing activity centres and on the few industrial areas that exist within the region. Competition from residential development is not the only factor which limits the creation of commercial development in these locations.

In the case of activity centres, there are relatively few sites that are large enough to accommodate a reasonable-sized commercial building, and the zoning of such sites does not typically preference commercial development over residential or other uses (for instance such sites might be zoned Commercial 1 which allows residential and retail uses on an 'as of right' basis).

There are also a number of other planning and place-based challenges that will need to be addressed in such locations in order for genuine commercial development opportunities to be unlocked. For instance, the redevelopment potential of some centres will be constrained by heritage or height controls, and the boundaries of many activity centres may closely fringed by low-rise residential development.

8 Recommendations

There are already a number of activities being undertaken by State and local government to attract business and job growth within the region. Notwithstanding these efforts, the Inner South East region has continued to underperform in terms of attracting local business and jobs (beyond population serving jobs such as retail, hospitality, community services, etc.).

This study has identified that more can be done to support the workspace needs of startups, scaleups and SMEs, particularly in the PSTS sector. It will be necessary to address some of the underlying commercial barriers to creating more commercial floorspace in this region, via a combination of policy, regulations, market interventions and public sector investment.

It will be important for Councils and the State Government to have a shared vision for where the best opportunities exist to attract business and jobs. The assessment of five exemplar precincts from across the region confirms that not every activity centre and industrial precinct has equal potential to attract new businesses. Larger precincts such as Prahran/South Yarra/Windsor and Hawthorn have a relatively strong set of characteristics to support regionally significant business attraction, whereas many of the smaller activities centres are more likely to be attractive for businesses associated with residents who live near to them.

The following suite of potential initiatives is recommended for further consideration by the Metropolitan Partnership, Councils and the State Government.

The actions for each employment precinct will need to be tailored to suit the locational and economic circumstances of the place. Selecting the right actions for each precinct will require further analysis and consideration, which should occur as part of the further development of an economic development strategy for the Inner South East Region.

However, some suggestions for applying the recommended actions to particular locations are highlighted in text boxes at the end of each recommendations on the pages overleaf.

8.1 REDEFINE THE ROLE OF PRECINCTS AS PLACES FOR EMPLOYMENT

Priority precincts for employment and business attraction in the region

The following locations are suggested as potential priority precincts for employment and business attraction in the region:

Prahran/South Yarra:

*Promote a mixture of large companies, SMEs and startups.
Promote the use of non-prime retail space, ground floor of
apartments and first floor of developments in the Activity
centre for commercial space
Create a 'business hub' facility in the centre*

Hawthorn-Glenferrie Road:

*Partner with Swinburne to create a 'University Town' model
for the centre
Promote a mixture of large companies, SMEs and startups.
Extend start-up, incubation & acceleration program
Create a business hub in the centre*

Caulfield-Monash University:

*Partner with Monash university to create a business hub in
the centre*

East Village:

*Promote new mid-rise commercial and office development
within a an integrated mixed use precinct.
Promote commercial development which caters for SMEs
and startups.*

Bayside Business & Employment Area:

Promote a mixture of low-rise office buildings and re-use

*of existing buildings for startup and scale-up businesses,
including small-scale manufacturing & creative industries
Create a 'maker-space' business hub in the precinct.*

- Review the capacity of each precinct within the region to feasibly accommodate commercial floorspace within the relevant precinct boundary.
- Update existing place-based masterplans/structure plans for relevant precincts to A. illustrate the potential for the precinct to be renewed as a commercial precinct (including identifying opportunities for new workspaces on high streets, in new developments and non-prime locations) B. demonstrates government commitment to creating a high amenity setting for such uses, and C. Create a stronger identity and brand of each place as a business destination.
- Create place-based action plans for priority employment precincts which address the issues and incorporate the opportunities identified in Chapter 5, 6 and 7 of this report.

8.2 CONSIDER THE APPLICATION OF ALTERNATIVE PLANNING TOOLS

Priority locations for considering alternative planning tools:

The use of alternative zoning tools to support the delivery of new commercial floorspace should be considered for the following locations:

Prahran/South Yarra and Hawthorn/Glenferrie Road (in designated sub-precincts)

East Village (noting that the delivery of commercial floorspace is intended to be resolved via Amendment C155 to the Glen Eira Planning Scheme)

Bayside Business & Employment Area.

Each Council should consider using relevance/potential for using the remaining recommendations for the potential use of alternative planning tools for each Major Activity Centre within their municipality.

- Consider the use of alternative zoning tools for designated employment precincts (for example the use of the Commercial 2, Commercial 3 or Activity Centre zones).
 - Prepare new local planning policies which specify the preferred commercial land use mix and design outcomes for key employment precincts. For such policies to have effect, the use of land for other purposes (such as retail or residential accommodation) needs to be discretionary.
 - Review whether or not existing built form controls
- are acting as a barrier to the creation of commercial buildings in key locations.
 - Consider the use of planning incentives for the creation of commercial floor space (such as carparking dispensations, floor area uplift or other mechanisms).
 - Consider the use of statutory controls to mandate the delivery of specified commercial floor areas in key employment precincts (such as the Activity Centre Controls that apply to the Chapel Vision precinct).
 - Create new design guidelines – to ensure that commercial spaces (particularly those on the lower floors of residential and mixed use development) spaces are fit for purpose for commercial tenancies.
 - In locations where minimum commercial floor space requirements apply (such as Chapel Street) consider whether the following mechanisms could be used to ensure that commercial floorspace is created in optimal ways and locations:
 - Transferable development right, whereby developers can satisfy obligations to create commercial space on alternative sites within a precinct.
 - Cash in lieu options –whereby developers to satisfy their floorspace requirements into a cash payment that is paid into a trust which is used

to create affordable floorspace on alternative sites within the precinct.

8.3 FACILITATING THE CREATION OF ADDITIONAL COMMERCIAL SPACE

There are a range of ways in which additional commercial floorspace might be facilitated by government. Options for consideration include the following:

8.3.1

Partner with the State government to create a business hub in an existing building in the region (comprising flexible workspaces, meeting and training facilities, incubation and/or acceleration program etc.) in the region.

Create a program where council and/or the State brokers the use of vacant retail spaces (on high streets, side streets and ground floors of apartment buildings) on either short or longer lease terms. Could seek to negotiate lower leases or subsidise the sub-leasing of space to small businesses.

Partner with the private sector to develop Council or state government owned sites as innovative workspaces. For example, the government to provide the land on deferred payment terms, and potentially take out a head lease on all or part of the building (with a view to sub-leasing part of the space to a cowork operator).

8.3.2

Create an entity to act as a broker or underwriter of commercial leases to support developers financing the construction of smaller scale commercial spaces. The entity would transfer the lease (or sub-lease the space) to other entities once the spaces have been created.

8.3.3

Prepare an EOI for the State and/or local Government to take out a head lease on all or part of a new building (with a view to sub-leasing part of the space to a cowork operator and/or small businesses)

8.3.4

Partner with Monash and/or Swinburne University to create additional commercial floorspace for startups and scaleups close to the universities (this would build on the Melbourne Connect Model³⁹ and the existing Swinburne Innovation precinct concept⁴⁰).

8.3.5

Create spaces for networking, business development and training in two or more strategic locations across the region. These could be based on the US District Hall/Venture Café and could be scaled to suite the context and opportunity within the region.

8.3.6

Create a Trust which owns and/or operates workspaces for startups and scale-ups. The Trust could take on head leases over underutilised retail spaces in strip centres or in new developments for a specified timeframe to enable local business to establish, settle in and then take over such leases. Seed funding for the Trust could come from a variety of sources include cash in lieu scheme referred to above.

³⁹

⁴⁰

<https://melbconnect.com.au/>
<https://www.swinburne.edu.au/innovation-precinct/about/>

Recc.	Name	Location	Lead Responsibility
8.3.1	Regional business hub	Prahran/South Yarra Hawthorn- Glenferrie Road Bayside Business & Employment Area	State, with Stonnington, Boroondara, Bayside (as relevant)
8.3.2	Workspace project on public land	Major Activity Centres	State & local government (joint)
8.3.3 8.3.6 8.3.7	Commercial lease broker Vacant retail space program Workspace Trust	Misc. (Major & neighbourhood centres, industrial areas)	ISE Councils (collective)
8.3.4	Head Lease EOI	Major Activity Centres	State & local government (joint)
8.3.5	Startup hub	Swinburne, Monash Caulfield	University, State & Council partnership

8.4 PURSUE OTHER ECONOMIC DEVELOPMENT PROGRAMS

There are a wide range of other economic development programs that State and local government could pursue together to assist existing or prospective local businesses grow. Such programs would ordinarily cover a range of activities such as:

- Business support
- Investment facilitation
- Place activation
- Skills and knowledge development
- Information, networking, marketing and promotion
- Provision of taxation/rate relief for creation types of workspace entities
- Provision of innovation and business assistance grants
- Reduction of regulatory red tape for startups

Both the State government and local Councils operate different forms of economic development programs that to varying degrees will already address many of the above activities. However, there may be opportunities to expand and/or enhance these programs by taking a regional view about what and how activities are pursued.

APPENDICES

APPENDIX 1 - PERFORMANCE CRITERIA

The following a summary of the variables taken into account in assessing each precinct against the nine factors is summarised below:

Quality of Place:

Does the precinct have a strong quality of place and offer quality experiences ('buzz') that accelerate outcomes and increase interactions?

This is a qualitative assessment of the current and planned future state of the precinct – including an assessment of the mix of activities in an around the precinct, and the extent to which physical form (public and private domain) support business amenity and interaction.

Diversity and Inclusion:

Is the precinct a diverse and inclusive place that provides broad opportunities?

This has included consideration of the demographic diversity of the surrounding neighbourhood.

Affordability:

Does the precinct provide a diversity of affordable premises for business to locate in?

This has included consideration of the availability of commercial floorspace and indicative commercial sales and rental values. It will also consider the capacity for new development based upon the availability of potential development sites, local market conditions and likely future competition from residential development.

Critical Mass:

Does the area have a density of assets that collectively begin to attract and retain people, and stimulate a range of activities?

This has included a qualitative assessment of the nature and scale of activities within the precinct, as well as its potential to increase over time.

Infrastructure:

Does the precinct have the necessary utilities, ICT infrastructure and building stock to accommodate critical mass and support connectivity, collaboration and innovation?

This has included consideration of the current and potential future availability of commercial floorspace. It has not included any technical assessment of the capacity of physical infrastructure.

Accessibility:

Does the precinct have access to deep pools of labour and other firms through broad transport networks and local streets and footpaths?

This has include consideration of the mobility options available to and within the precinct (by car, PT, walking and cycling). It has also include consideration of the size/depth of the labour force catchment.

Anchor Institutions/Uses:

Does the precinct have anchor institutions, such as research organisations or large corporates, that are present, relevant and engaged with industry?

This has included consideration of the presence/absence of anchor uses (educational, health and/or commercial) as well as the potential for such uses to establish there in the future.

Competitive Advantage:

Is the precinct leveraging and aligning its distinctive assets, including historical strengths, to grow firms and jobs in the district, city and region?

This has been a qualitative assessment of the relative advantage of the precinct and the extent to which its combination of features are being capitalised to leverage the location and place to do business.

Collaboration:

Is the precinct connecting the dots between people, institutions, economic clusters, and place, creating synergies across multiple scales and platforms?

This report has not sought to assess each precinct against this factor. Undertaking a meaningful assessment of a precinct against this factor requires in-depth analysis of business activities within the precinct, which is beyond the scope of this project. The assessment has however, comment on whether there is any evidence of clustering of activities within the precinct based upon the activities of identifiable businesses, as well as whether there are shared work spaces located within the precinct.

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