CELEBRATING 30 YEARS 1989-2019

urban enterprise planning economics+tourism

MARIBYRNONG WATERFRONT ECONOMIC ANALYSIS

CITY OF MELBOURNE | DECEMBER 2019

www.urbanenterprise.com.au

AUTHORS

Paul Shipp | Jonathan Rochwerger

Tayler Neale | Jessica Farrugia

FILE

Maribyrnong Waterfront Economic Analysis FINAL v2

VERSION

2

DISCLAIMER

Neither Urban Enterprise Pty. Ltd. nor any member or employee of Urban Enterprise Pty. Ltd. takes responsibility in any way whatsoever to any person or organisation (other than that for which this report has been prepared) in respect of the information set out in this report, including any errors or omissions therein. In the course of our preparation of this report, projections have been prepared on the basis of assumptions and methodology which have been described in the report. It is possible that some of the assumptions underlying the projections may change. Nevertheless, the professional judgement of the members and employees of Urban Enterprise Pty. Ltd. have been applied in making these assumptions, such that they constitute an understandable basis for estimates and projections. Beyond this, to the extent that the assumptions do not materialise, the estimates and projections of achievable results may vary.

L1 302-304 Barkly St, Brunswick VIC 3056

+61 3 9482 3888 urbanenterprise.com.au

CONTENTS

FIGURES

TABLES

EXECUTIVE SUMMARY

OVERVIEW

Urban Enterprise was engaged by the City of Melbourne (Council) to prepare an economic analysis of the Maribyrnong Waterfront Precinct. The aim of this project is to provide economic advice to inform future planning for the area, including the ongoing economic and employment role in the context of broader changes to infrastructure, land use and urban renewal in the surrounding areas.

STUDY AREA

The Study Area (Figure F1) is within the suburbs of West Melbourne and Kensington within the City of Melbourne, 3.5 km west of the CBD. The Study Area covers an area of approximately 31 hectares (excluding roads) and is bordered by the Maribyrnong River to the west, Dynon Rail yards and Kensington residential area to the east and the rail line to the south.

The Study Area includes land in several planning zones, including Industrial 1 Zone (south of Dynon Road), Mixed Use Zone (northern section of the site) and Commercial 2 Zone (central section), and accommodates approximately 1,200 jobs. Land is primarily used for industrial purposes, including transport and distribution, storage, wholesale trade, construction and manufacturing, however the recent introduction of the Mixed Use Zone to several sites has served as a catalyst for residential development and mixed-use applications.

F1. MARIBYRNONG WATERFRONT STUDY AREA

Source: Urban Enterprise, 2019.

There are many attributes to the site that present both economic advantages and planning challenges

- Proximity to the Port of Melbourne to the south of the Study Area;
- Road access via the broader freeway network, heavy vehicle freight routes and arterial roads. However, limited public transport, cycling infrastructure and public realm constrains other modes of transport;
- The Maribyrnong River forms the western boundary of the Study Area and is both a major asset as well as a barrier to movement;
- Flemington Racecourse and Melbourne Showgrounds (to the north) forms a major recreation and events precinct which attracts significant visitation;
- Proximity and accessibility to the Melbourne CBD which provides a nearby concentration of employment, research, education, infrastructure, tourism and civic activity;
- Central location to the Melbourne population base and labour force;
- The presence of linear transport corridors (e.g. road and rail) limit connectivity and movement within the site;
- The northern part of the Study Area directly interfaces with the Kensington residential area, resulting in the need to consider the amenity and reverse amenity impact of employment land use; and
- Land use change in the broader area, which is transitioning from former industrial land use to a greater role for housing and mixed-use precincts.

STRATEGIC CONTEXT

The Study Area will be influenced by the land use vision for surrounding areas and precincts. Plan Melbourne identifies several 'Major Urban Renewal Precincts' in the inner west and north-west of the City of Melbourne, including two Priority Precincts (Fishermans Bend and Arden Macaulay) and two 'Other Precincts' (Dynon, E-Gate).

The Study Area is located at the western edge of the Dynon Precinct, a Major Urban Renewal Area for which no vision has yet been set, however the vision for the Arden Precinct foreshadows Dynon as "a future employment and logistics precinct." Given that Dynon overlaps with the Study Area, any decisions made for future land use could influence the potential future vision for Dynon and vice versa. In addition, significant investment in the Port of Melbourne and related freight infrastructure is underway and planned to continue in proximity to the Study Area. This will underpin the ongoing importance of private land in the vicinity of the Port being available for transport and freight activities, especially in the southern section of the Study Area.

EMPLOYMENT LAND DEMAND AND SUPPLY

A review of employment land supply within, and in proximity to, the Study Area, found that:

- There is almost no remaining vacant land available for new industrial and large format businesses in the City of Melbourne. New industrial development is primarily accommodated in outer suburban areas, reflecting the availability of cheaper land in larger lots and less constraints compared with inner areas and the changing nature of industrial land use in the city;
- The majority of existing industrial and large format commercial land in the City of Melbourne is currently subject to strategic planning designed to either intensify employment densities or transition to a mixed-use environment which will allow the introduction of residential uses;
- There is an increasing scarcity of land in inner areas that can accommodate industrial/commercial businesses which have a strategic reason to locate close to the city or key infrastructure, such as the Port; and
- There is growing demand for industrial land by small, high-value and innovative urban manufacturers.

Demand for employment land within the Study Area will be influenced by the following:

- Significant population growth within the City of Melbourne, which is expected to accommodate almost 300,000 residents by 2036. This will drive local demand for housing, employment, retail and services;
- Economic trends and a shift from production-based industries to a more diversified and knowledge-intensive industry base, which will change the demand for industrial and employment land;

- Employment growth across the inner Melbourne region is projected to be strong, particularly for the knowledge and service industries; and
- Property market conditions associated with a scarcity of industrial land and strong demand within the City Fringe area are likely to lead to some businesses seeking to relocate to cheaper premises in other areas, however the Study Area is expected to remain an attractive location for certain businesses seeking proximity to the CBD, the Port, key transport infrastructure and the inner Melbourne residential catchment.

SWOT ANALYSIS

The strengths, weaknesses, opportunities and threats relevant to the economic role of the Study Area are shown in Figure F2.

F2. STUDY AREA SWOT ANALYSIS

Strengths	Weaknesses
• Proximity to the Port of Melbourne, particularly for freight and transport-related activities. • Road network access and exposure, supporting large vehicle movements to the freight network and excellent exposure to passing trade for businesses near Dynon Road. • Proximity to a growing population base and labour force. • Larger lots which are conducive to facilitating both larger businesses as well as redevelopment. • Waterfront frontage (Maribyrnong River).	• Lack of anchor institution or major specialisation/ agglomeration. The local economy is primarily anchored by proximity to the Port; however, many uses of the site have little relationship with Port activities. A wide range of land uses co-exist without a clear clustering or agglomeration of economic activity. • Lack of public transport, particularly in the southern section of the area. • Spatial separation of properties through linear transport corridors prevents close integration of properties and movement of people between sub-precincts. • Relatively fragmented landownership and lack of government land ownership limiting opportunities for wholesale redevelopment.
Opportunities	**Threats**
• Support the economic value, demand growth and major government investment in the Port by maintaining industrial land for related activities. • Amenity and open space benefits of Maribyrnong River interface could support residential and commercial uses. • Improve the protection of key economic assets including the Port and landfill by maintaining separation from any potential future sensitive land uses in proximity. • Maintaining a scarce employment land resource to facilitate larger format commercial uses. • Provide greater employment densities and commercial uses to facilitate the transition of the economy towards knowledge and services, especially in areas that can capitalise on river frontage and proximity to South Kensington train station. • Complement urban renewal across the broader area by providing a Study Area which is differentiated from other mixed-use areas, precincts and activity centres.	• Land use conflicts between existing and/or future businesses and sensitive uses could limit economic productivity and functionality of the Study Area. This includes the introduction of any new sensitive uses within proximity to the landfill and industrial areas. • Economic transition that results in less demand for the land uses currently supported by planning zones, such as physical showrooms, larger format industrial uses and so on. Flexible planning controls should enable the market to respond with developments which meet contemporary economic opportunities over time. • There is uncertainty about the future land use role of the broader Dynon Precinct. Any significant changes to the land use mix could change the context for land use in the Study Area. • Potential constraints to development within the Study Area, including contamination and flooding.

LAND USE IMPLICATIONS

The following land use implications are identified for the Study Area.

1. Given the economic significance of the Port of Melbourne, future planning should prioritise protecting and supporting the Port operations. This should include retaining land in the Industrial 1 Zone south of Dynon Road for freight related uses and ensuring that residential uses do not encroach on these and any other Port related activities.
2. The balance of the Study Area accommodates a wide range of economic activities. Some are in transition while others are being reinvested in. Land in the northern section of the Study Area (north of the Footscray rail bridge) is unlikely to be an optimal location for industrial uses in the long term. Given the residential interface in this area, the Mixed Use Zone is considered appropriate to maintain for future planning purposes.
3. Wholesale changes to the land use vision and zoning of the area between the Footscray Rail Bridge and Dynon Road are not recommended given that:
   - There is evidence of reinvestment in buildings and businesses in the Commercial 2 Zone;
   - There is a lack of other large format commercial land in this part of the municipality and population growth will continue drive demand for the services and spaces offered by businesses in the Commercial 2 Zone; and
   - The vision for land use to the east of the Study Area within the Dynon urban renewal area is not yet resolved.

   However, in order to ensure that planning controls in this area provide sufficient flexibility to accommodate changes in economic needs over time (including the transition towards more knowledge based employment) and capitalise on locational advantages, future planning should seek to provide flexibility to enable the following outcomes:
   - A wide range of employment land use types, including offices, retail showrooms, light industrial uses and existing industrial uses.
   - Uses that capitalise on the river interface, which could include restaurants, visitor accommodation and offices. These uses would in turn provide facilities which could support employment intensification in the central section of the Study Area and the attraction and retention of office-based businesses.
   - Larger format commercial, retail and office uses which capitalise on the exposure and access to Dynon Road and provide a land use buffer to industrial land and the landfill to the south.

   This area should prioritise employment and commercial outcomes given the scarcity of employment land in this part of the municipality.
4. Residential uses at upper levels in the northern section of the riverfront and near could enable redevelopment and renewal of key sites recently included in the Mixed Use Zone, capitalise on proximity to the South Kensington Station, contribute to the housing needs of the municipality and contribute to a local demand base for local retail and commercial businesses. However, it is important that any residential uses are not located such that amenity conflicts with industrial uses could arise.

1. INTRODUCTION

1.1. PROJECT SCOPE

Urban Enterprise was engaged by the City of Melbourne (Council) to prepare an economic analysis of the Maribyrnong Waterfront Precinct. The aim of this project is to provide economic advice to inform future planning for the area, including the ongoing economic and employment role in the context of broader changes to infrastructure, land use and urban renewal in the surrounding areas.

1.2. STUDY AREA

The Maribyrnong Waterfront Study Area (Study Area) is shown in Figure F3. The Study Area is within the suburbs of West Melbourne and Kensington within the City of Melbourne, 3.5 km west of the CBD.

The Study Area covers an area of approximately 31 hectares (excluding roads) and is bordered by the Maribyrnong River to the west, Dynon Rail yards and Kensington residential area to the east and the rail line to the south.

F3. MARIBYRNONG WATERFRONT STUDY AREA

Source: Urban Enterprise, 2019.

1.3. METHODOLOGY

The following methodology was applied for this analysis:

- An assessment of the Study Area, including current planning zones, land uses and recent development activity that could influence the future economic role;
- A review of the strategic and policy context for the project, including key planning and strategic documents relating to the waterfront Study Area;
- An analysis of existing land supply in industrial and large format commercial zones in proximity to the Study Area to identify competing (and alternative) land supply;
- An analysis of overarching industrial and large format commercial land demand and consumption trends, including employment trends across these sectors; and
- Recommendations and advice on the economic role of the Study Area and the optimal planning zone profile needed to support ongoing economic activity, taking into account the current zone profile and alternative zones/land uses (where appropriate).

2. STUDY AREA ANALYSIS

2.1. INTRODUCTION

This section provides an analysis of the Study Area in terms of location attributes, existing land use and employment and recent developments.

2.2. LOCATION ATTRIBUTES

The Study Area occupies a relatively unique location, positioned between the Port of Melbourne, the Maribyrnong River, a residential area and the Dynon logistics precinct. These attributes present a range of economic advantages and land use planning challenges.

From an economic perspective, the location attributes can be summarised as follows:

- Port of Melbourne. Proximity to the Port of Melbourne is the main economic attribute of the Study Area. The Port is one of Australia's largest logistics infrastructure asset and the development of the Study Area and surrounds has largely been driven by the proximity and access to the Port.
- Road access. The Study Area is highly accessible by road from the broader freeway network, heavy vehicle freight routes and arterial roads, especially Dynon Road. This makes the area accessible to a range of business types, especially those with large vehicles and a transport focus. Dynon Road and Kensington Road also provide important road connections to residents and workers in the inner west of Melbourne, meaning that a high volume of car traffic also uses these roads - 19,000 vehicles use Dynon Road each day, with a further 4,200 using Kensington Road (VicRoads).
- Maribyrnong River. The Maribyrnong River forms the western boundary of the Study Area and is both a major asset as well as a barrier to movement. The river in this section is wide and scenic with linear trails connecting to other parts of Melbourne. The river provides a significant natural advantage to the Study Area in terms of open space, natural amenity and off-road access. The western bank of the river is also proximate to the Footscray activity centre, which is undergoing a sustained period of development and land use transition, including apartment developments to the north-west of the Study Area and business and arts uses to the south-west of the Study Area. Although there is potential to leverage and complement the growth in Footscray, connectivity is relatively poor which could limit this relationship.
- Flemington Racecourse and Melbourne Showgrounds. The Racecourse and Showgrounds together form a major recreation and events precinct which attracts significant visitation. There are currently limited entertainment and accommodation facilities near the Study Area, however the economic relationship with the racecourse and showgrounds precinct may be limited due to a lack of direct access or connectivity between the two areas.
- Proximity to the Melbourne CBD. The Study Area is less than 4km from the Melbourne CBD, a major concentration of employment, research, education, infrastructure, tourism and civic activity. The CBD can be accessed via car, train (South Kensington Station) and cycling routes. This proximity and accessibility is attractive to both businesses seeking access to the economic agglomeration benefits of the CBD as well as residents seeking proximity to jobs, education and entertainment. Proximity is also attractive to tourists visiting the city.
- Central location to the Melbourne population base and labour force. The Study Area is centrally located to the broader Metropolitan Melbourne population, especially the western and north-western metropolitan regions. This creates an opportunity for businesses to attract labour and custom to the Study Area. However, this could be constrained by relative lack of public transport access to the area (except for train connectivity to/from the CBD), which would limit the mass movement of employees and visitors, especially to the southern section of the Study Area.
- Major linear transport corridors. The Study Area is dissected by several linear transport corridors which limit connectivity and movement within the site, including Dynon Road, Kensington Road, the South Kensington

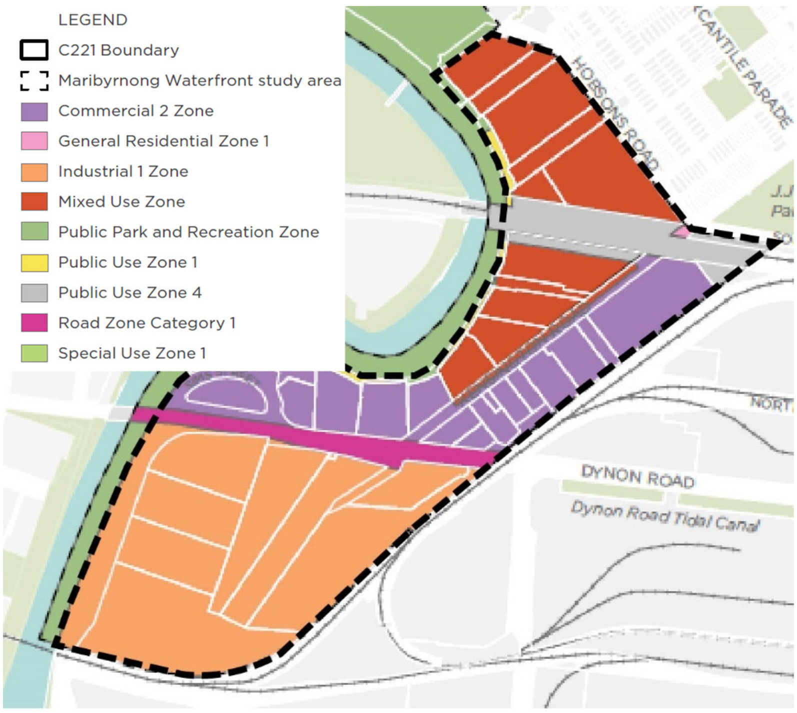
Rail Line and the Footscray rail line and bridge. These corridors limit the extent to which the Study Area can be integrated in terms of land use and movement.

- Residential interfaces. The northern part of the Study Area directly interfaces with the Kensington residential area, and the Mixed Use Zone permits residential land use within and adjacent to areas currently used and zoned for commercial and industrial use. The potential amenity and reverse amenity impacts on business activity are a potential weakness of the central and northern parts of precinct for uses with amenity impacts. In the southern section of the Study Area, however, there are no residential or other sensitive interfaces, presenting an opportunity for businesses to operate largely unimpeded by amenity concerns.
- Inefficient inner urban environment. The Study Area is located in an area which experiences significant vehicle traffic, both to the port and between the central city and inner western suburbs. Road congestion, potential interface and amenity conflicts and a wide range of land uses in a confined area could result in inefficiencies for certain large format business types which rely on efficient vehicle movements as a key location driver.
- Industrial amenity. The Study Area currently has a distinctly industrial amenity, with wide roads, large lots, a lack of integration / address to open spaces and relatively harsh public realm and urban design. Under current circumstances, this could limit the attractiveness of the area to non-industrial and higher density employment uses, such as office space.
- Land use change in the broader area. The broader Dynon Precinct, Footscray Activity Centre and riverfront and Arden Macaulay precincts near the Study Area are planned to experience significant land use change over the coming years, much of which relates to a transition from former industrial land use to a greater role for housing and mixed use precincts. These broader changes may influence the economic opportunities for the Study Area.

2.3. PLANNING ZONES AND EMPLOYMENT

As shown in Figure F4, the Study Area includes land in several planning zones: the Industrial 1 Zone south of Dynon Road, Mixed Use Zone in the northern section of the site and the Commercial 2 Zone land in the central section.

F4. MARIBYRNONG WATERFRONT STUDY AREA: PLANNING ZONES



Source: City of Melbourne, 2019.

In order to understand the current level of employment by zone, data was obtained from the Council regarding the estimated number of jobs for each property in the Study Area. Table T1 summarises the area of land and estimated employment within each zone.

T1. PLANNING ZONE AND EMPLOYMENT DATA

Zone	Land Area (Ha)	Land Area (%)	Employment	Employment (%)	Estimated Site Coverage[1]	Floorspace (Sqm)	Floorspace per Employee
INZ1	13.8	45%	175	15%	25%	34,500	197
MUZ	8.4	28%	639	53%	75%	63,000	99
C2Z	7.2	23%	387	32%	65%	46,800	121
PUZ/PUZ4	1.3	4%	0	0%	N/A	N/A	N/A
Total	30.7	100%	1,201	100%		144,300	120

Source: City of Melbourne, 2019, analysed by Urban Enterprise.

In 2017, it is estimated that the Study Area had an employment density of approximately 120 sqm of floorspace per employee. This is a relatively low employment density when compared against industrial densities in inner areas which typically range from 70-100 sqm per employee.[2]

Key points from the zone and employment analysis are as follows:

- Industrial 1 Zone (IN1Z):
  - The purpose of this zone is to provide for manufacturing industry, the storage and distribution of goods and associated uses. IN1Z land use must not be detrimental to nearby existing or proposed residential areas or other uses which are sensitive to industrial off-site effects (e.g. noise, traffic, pollution, etc.).
  - Residential uses are prohibited.
  - The IN1Z covers 14 hectares (45% of the Study Area) and provides for 15% of total employees at an average density of 13 jobs per hectare.
  - All industrial parcels are occupied, although one is used for arts purposes.
- Mixed Use Zone (MUZ):
  - The purpose of this zone is to provide for a range of residential, commercial, industrial and other uses which complement the mixed-use function of the locality and to provide for housing at higher densities.
  - MUZ land use must not adversely affect the amenity of the neighbourhood (e.g. appearance, traffic, etc.).
  - The MUZ covers 8.4 hectares and accommodates approximately half of the employment in the Study Area.
  - The MUZ has the highest employment density at 76 jobs per hectare, however many of the businesses operating in the zone pre-dated the introduction of the MUZ. As such, most land uses are residual from the previous zoning (the MUZ has yet to influence employment land uses).
- Commercial 2 Zone (C2Z):
  - The purpose of this zone is to encourage commercial areas for offices, appropriate manufacturing and industries, bulky goods retailing, other retail uses, and associated business and commercial services.
  - Residential uses are prohibited.
  - C2Z must not detrimentally affect the amenity of the neighbourhood (e.g. appearances, emissions, etc.).
  - The C2Z covers an area of 7.2 hectares and accommodates 387 jobs at an average density of 54 jobs per hectare.

[1] Council data shows land area. Indicative floorspace areas calculated by Urban Enterprise based on approximate site coverage.

[2] CLUE, City of Melbourne.

2.4. LAND USE

Figure F5 shows categories of land use within the Study Area. The following land use comments are made:

- Land is primarily used for industrial purposes, including transport and distribution, storage, wholesale trade, construction and manufacturing;
- The northern section of the Study Area on Hobsons Road contains several manufacturing businesses, a new residential apartment building and a State Government depot for the West Gate Tunnel Project;
- The Kensington Road section accommodates a variety of business types, including: a number of food packaging and distribution businesses; building supplies, storage, vehicle hire, depots and retail showrooms towards the southern end and at the Dynon Road frontage.
- The southern section of the Study Area includes larger lots primarily used for industrial/freight related activities that complement the Port of Melbourne to the south (mostly occupied by Toll for container freight purposes). Other uses in the southern area include two properties used for concrete batching, a landfill and an artist residence and events space (River Studios, within a converted warehouse).

A variety of land uses exist in the Study Area, with larger format industrial businesses generally located to the south of the Study Area in the Industrial 1 Zone and Commercial 2 Zone away from sensitive uses, while large format commercial, office, depot, retail and wholesale businesses are located in the central area. There is a mix of remnant industrial and new residential development in the northern Mixed Use Zone section.

Table T2 shows a summary of key businesses types by land use.

T2. EXAMPLES OF BUSINESS TYPES

Public infrastructure	Industrial and storage	Retail and wholesale	Residential and other
City West Water Depot	Freight and logistics	Caravan hire	Hopkins Rd Apartments
Westgate Tunnel Depot	Concrete plant	Building supplies	Artist studios / workshops
Landfill	Multiple food packaging, and distribution businesses	Multiple showrooms, many for household fixtures and furnishings	Offices
	Public auctions	Leather goods	Café
	Personal storage		

Source: Urban Enterprise site visits, 2019.

F5. MARIBYRNONG WATERFRONT STUDY AREA: LAND USES

Source: Urban Enterprise, 2019.

2.5. LOT SIZE AND LAND OWNERSHIP

Lot sizes in the Study Area are predominantly large, with industrial sites commonly between 0.5ha and 2ha. Some sites have been subdivided into smaller tenancies.

Land is primarily in private ownership with the exception of some sites in government ownership. Compared with some urban renewal areas, there appears to be relatively limited opportunity to leverage government owned sites to catalyse particular development outcomes as part of future planning for the Study Area.

2.6. RECENT AND PROPOSED DEVELOPMENT

Two changes to planning controls in the Study Area have been made in the past 7 years as follows.

AMENDMENT C124 - HOBSONS ROAD MIXED USE PRECINCT (2012)

Amendment C124 rezoned six land parcels bound by the Maribyrnong River to the west, Hobsons Road to the east and the South Kensington Railway to the south to the Mixed Use Zone and applied an Incorporated Plan Overlay 2 (IPO2) to guide future development..

There has been one approved development under the Incorporated Plan Overlay, located at 71-111 Hobsons Road, Kensington (the north-western-most site in the Study Area). This development is a multi-storey apartment building with some commercial office space.

AMENDMENT C221 - WEST MELBOURNE WATERFRONT (2018)

Amendment C221 was gazetted at the request of landowners of 160 – 232 Kensington Road, West Melbourne to facilitate a mixed-use redevelopment of the affected land, including for commercial, residential and public open space uses. The land was rezoned from the Commercial 2 Zone to the Mixed Use Zone and a Development Plan Overlay (DPO13) was introduced to guide long term urban renewal of the site.

RECENT AND PROPOSED DEVELOPMENT

The recent introduction of the Mixed Use Zone to several sites in the Study Area has served as a catalyst for residential development and applications. Other development proposals relate to industrial and commercial developments within and adjacent to the Study Area that are not within the MUZ.

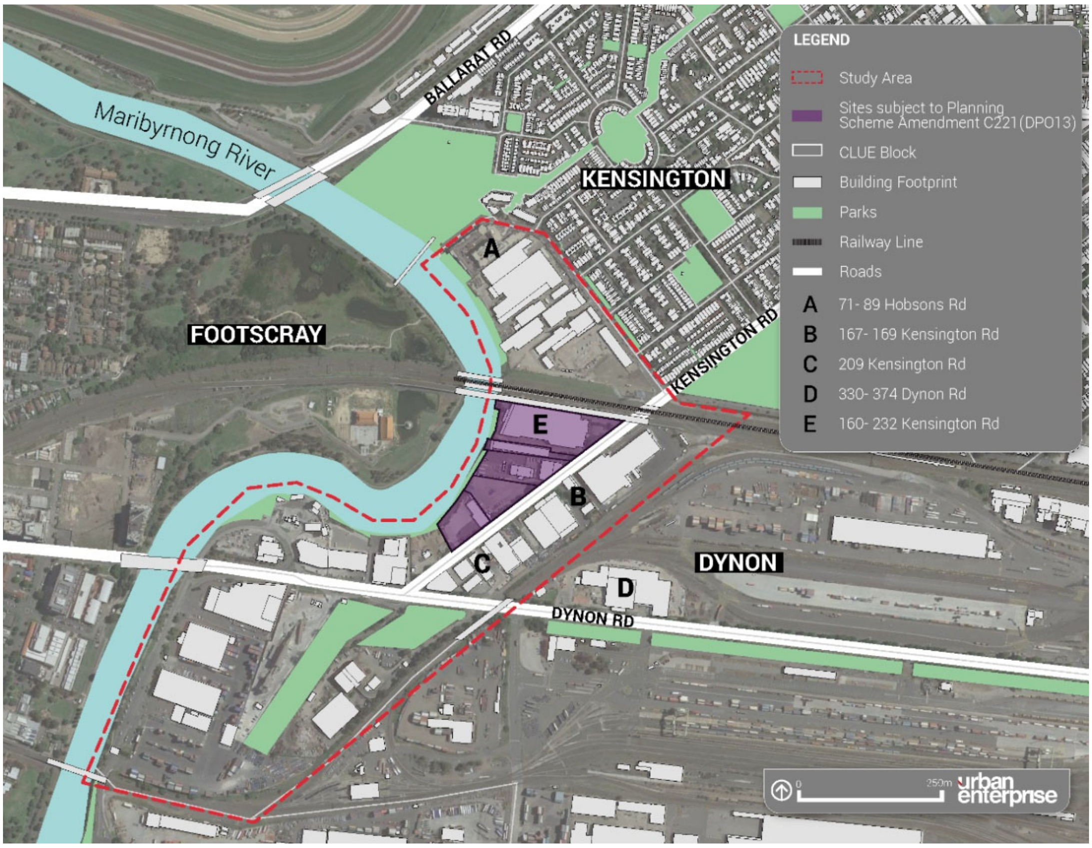
Table T3 provides a summary of development applications provided by Council within the Study Area over the past five years. The locations of these applications are shown in Figure F6.

T3. RECENT DEVELOPMENT APPLICATIONS (STUDY AREA)

#	Address	Zoning	Proposal	Status	Previous use
A	71-89 Hobsons Road	MUZ	3-6 storey mixed use development, primarily apartments with one retail and two commercial tenancies.	Permit granted Feb 2014	Unknown
B	167-169 Kensington Road	C2Z	Reconstruct existing industrial building – convert into café and public entry. Build new 3-storey building for commercial offices.	Endorsed October 2018	Industrial (manufacturing)
C	209 Kensington Road	C2Z	Use and development of the land for markets, shops, convenience shop, food and drink premises, tavern and restaurant. 11-storey seafood emporium with on-site car parking.	Application on hold	Single storey warehouse used as a seafood processing facility and café.
D	330-374 Dynon Road (outside but adjacent to Study Area)	PUZ4	To allow 24-hour operation of machinery on-site, 7 days per week.	Permit granted August 2019	Recycling and waste management company Bingo Industries.
E	160-232 Kensington Road	MUZ	The purpose of the C221 Amendment was to facilitate a mixed-use redevelopment of the affected land, including for commercial, residential and public open space uses.	Gazetted July 2018	156–184 Kensington Road is currently occupied by Scalzo Foods and other warehousing and manufacturing facilities.

Source: City of Melbourne.

F6. LOCATION OF RECENT PLANNING PERMIT APPLICATIONS



Source: Urban Enterprise, 2019.

It is evident that much of the current development interest and proposals relate to the central section of the Study Area along Kensington Road. These proposals would result in a variety of land use outcomes, including residential, office, retail and entertainment uses. In general, the developments would facilitate a land use transition away from predominantly industrial uses in this section towards multi-storey residential, office and retail space.

It is relevant that development is not only proposed in the Mixed Use Zone, but also in the Commercial 2 Zone and the neighbouring Public Use Zone for employment uses, indicating that landowners and businesses in the area value the location for economic activities relating to industrial and commercial business types. The introduction of any sensitive uses (such as dwellings) in this section could potentially result in reverse amenity implications for business operations and this would need to be taken into account in planning.

2.7. KEY FINDINGS

- **The Study Area includes land in several planning zones, including the Industrial 1 Zone, Mixed Use Zone and Commercial 2 Zone and accommodates approximately 1,200 jobs across 31 hectares of land.**
- **The area occupies a relatively unique location between the Port of Melbourne, Maribyrnong River, a residential area and a logistics precinct, presenting both economic advantages and planning challenges.**
- **Land is primarily used for industrial purposes, including transport and distribution, storage, wholesale trade, construction and manufacturing, however the recent introduction of the Mixed Use Zone to several sites in has served as a catalyst for residential development and mixed use applications.**
- **Current development proposals would generally facilitate a land use transition away from industrial uses in towards multi-storey residential, office and retail space in the central part of the area, however development is also proposed in the Commercial 2 Zone and neighbouring Public Use Zone for employment uses. This indicates that landowners and businesses in the area value the location for economic activities relating to industrial and commercial business types.**

3. STRATEGIC CONTEXT

3.1. INTRODUCTION

This section summarises the strategic context for the Study Area based on the land use vision for the surrounding areas, the strategy for the Port of Melbourne and other economic strategies relevant to the future land use opportunities in the Study Area.

3.2. URBAN RENEWAL IN INNER MELBOURNE

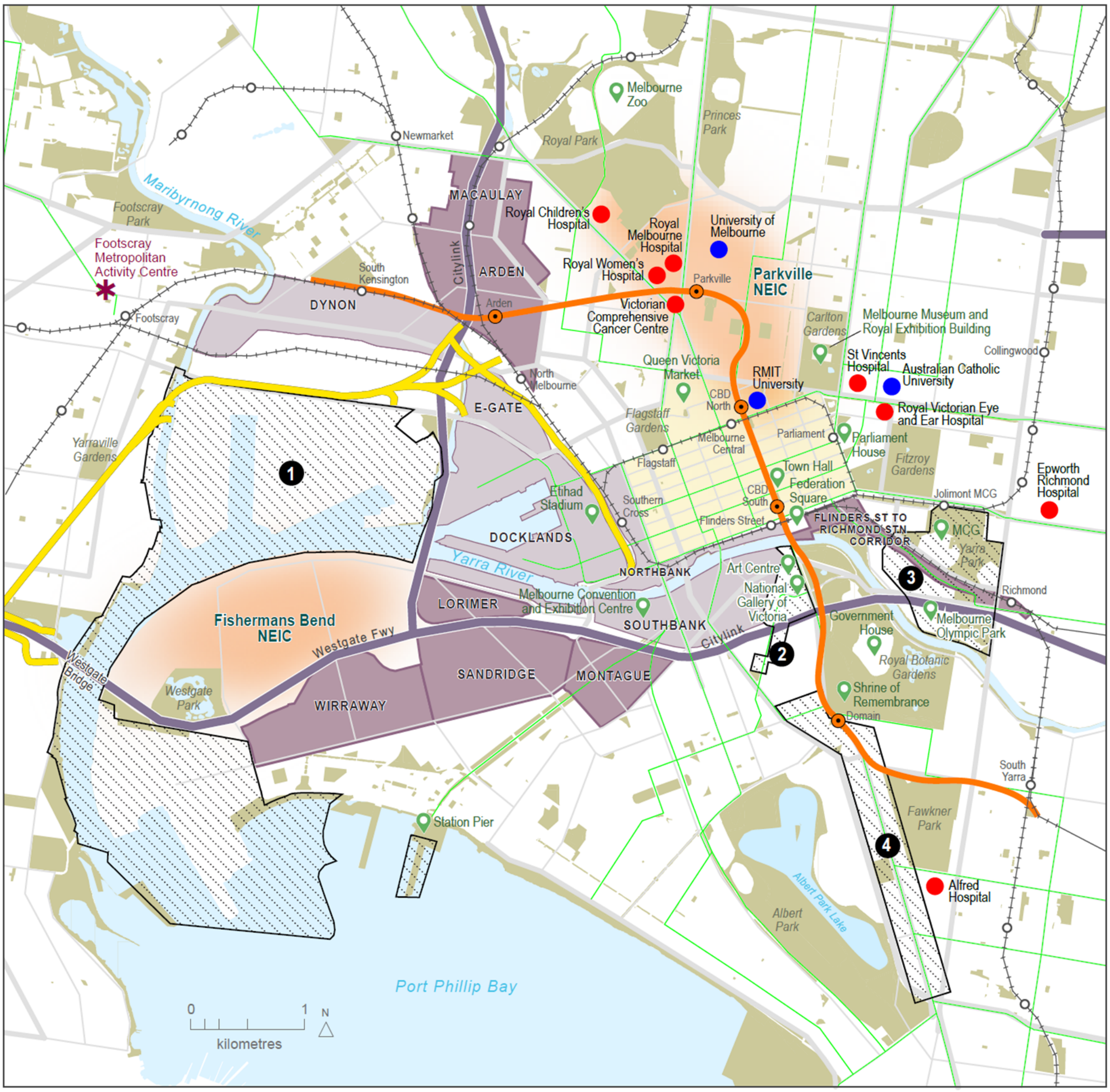
Plan Melbourne identifies several 'Major Urban Renewal Precincts' in the inner west and north-west of the City of Melbourne, including two Priority Precincts[3] (Fishermans Bend and Arden Macaulay) and two 'Other Precincts' (Dynon and E-Gate).

The location of these precincts is shown in Figure F7. The purpose of Major Urban Renewal Precincts is to:

> *"To take advantage of underutilised land close to jobs, services and public transport infrastructure, to provide new housing, jobs and services. Major urban renewal precincts will play an important role in accommodating future housing and employment growth and making better use of existing infrastructure." (p.15)*

[3] Plan Melbourne identifies that 'Priority precincts' represent areas of opportunity to support jobs and housing growth. These areas are identified as having particularly strong economic and social opportunities.

F7. PLAN MELBOURNE CENTRAL CITY KEY FEATURES



Central Business District	Key precinct
National employment and innovation cluster (NEIC)	1 Port of Melbourne
Major urban renewal precinct (2015 - 2051+)	2 Arts precinct
Priority precinct [(1)]	3 Sports precinct
Other precinct	4 St Kilda Road precinct
Health facility	Landmark
Education facility	Public open space

- Metro Tunnel (rail)
- New station
- State-significant road corridor
- Western Distributor (potential alignment)
- Rail network
- Train station
- Tram network
- Road network
- Waterway
- Waterbody

(1) Priority precincts: 1. Fishermans Bend (Lorimer, Montague, Sandridge, Wirraway); 2. Arden and Macaulay; 3.Flinders Street Station to Richmond Station Corridor

Source: Plan Melbourne, p.26.

DYNON PRECINCT

The Dynon Precinct extends from City Link to the east to the Maribyrnong River to the west and encompasses all land in the Study Area south of the Footscray Rail Bridge as shown in Figure F8.

Strategic planning for the Precinct is yet to commence and therefore the future land use vision for the area is uncertain, however the Arden Vision released in late 2018 foreshadows "Dynon as a future employment and logistics precinct "(p.16)

It could be argued that planning for urban renewal in the Dynon Precinct has already begun given that the MUZ has been applied in two separate amendments, albeit in an ad hoc manner in the absence of an overall strategic vision for the precinct.

F8. DYNON PRECINCT

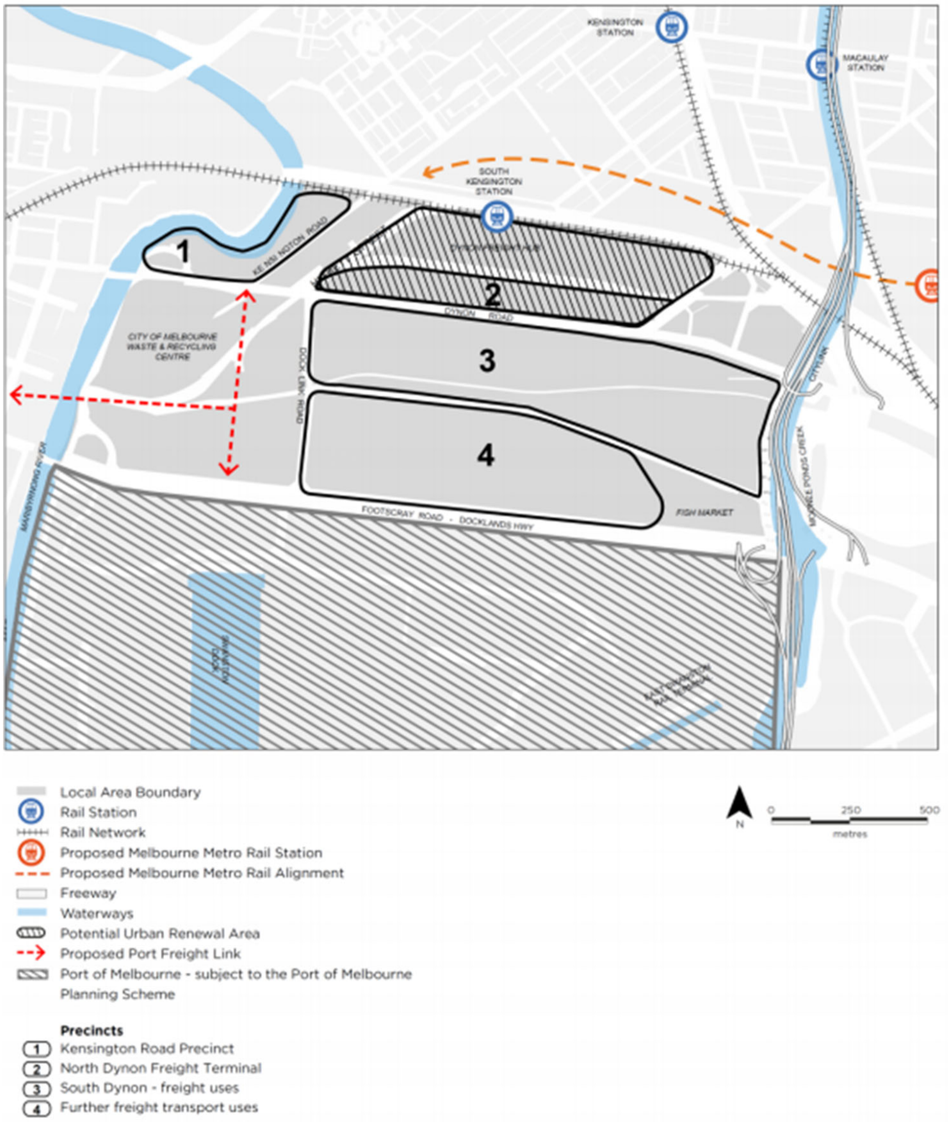
Source: Plan Melbourne, 2017-205; Urban Enterprise, 2019.

The Melbourne Planning Scheme includes a land use vision and policy for the Dynon Precinct. Policy is to:

- Support the ongoing use of the Dynon Precinct, for a range of transport, manufacturing, wholesale and distribution industries;
- Support advanced manufacturing, service industries, and port/rail use compatible with the Port of Melbourne and nearby manufacturing, freight and transport logistics industries along the Maribyrnong River while ensuring that the amenity of the river is enhanced;
- Support the development of a freight distribution hub at Dynon Road with enhanced links to the Port of Melbourne.
- Encourage buildings fronting Dynon and Footscray Roads to have active and attractive fronts;
- Ensure new development along the Maribyrnong River and Moonee Ponds Creek enhances the recreational and environmental amenity of these waterway corridors and has appropriate setbacks; and
- Enhance open space and recreational opportunities along the Maribyrnong River and Moonee Ponds creek.

The extent of individual sub-precincts is shown in Figure F9. Study Area land to the north of the Footscray Road bridge and to the south of Dynon Road is not included in the local policy area for Dynon. The plan shows part of the Study Area as the ‘Kensington Road Precinct’, however there are no policy statements that relate directly to that precinct.

F9. LOCAL POLICY FOR DYNON PRECINCT



Source: City of Melbourne Planning Scheme, October 2019.

ARDEN AND MACAULAY

The Victorian Planning Authority and the City of Melbourne are planning for the Arden and Macaulay Urban Renewal Precincts. The Arden Vision identifies that:

- “There are over 600 hectares of land available for urban renewal on the doorstep of Melbourne’s CBD…along with Dynon as a future employment and logistics precinct.” (p.16)
- The Arden and Macaulay precincts comprise “over 130 hectares of land used mainly for industrial, transport and open space purposes” and that “both precincts will become denser mixed use areas…” (p.18);
- The Arden Precinct is “ideally placed to be an international innovation and technology precinct.” The Precinct is proposed to capitalise on the major research and education institutions in the Parkville area and the opening of a new underground train station in 2025.

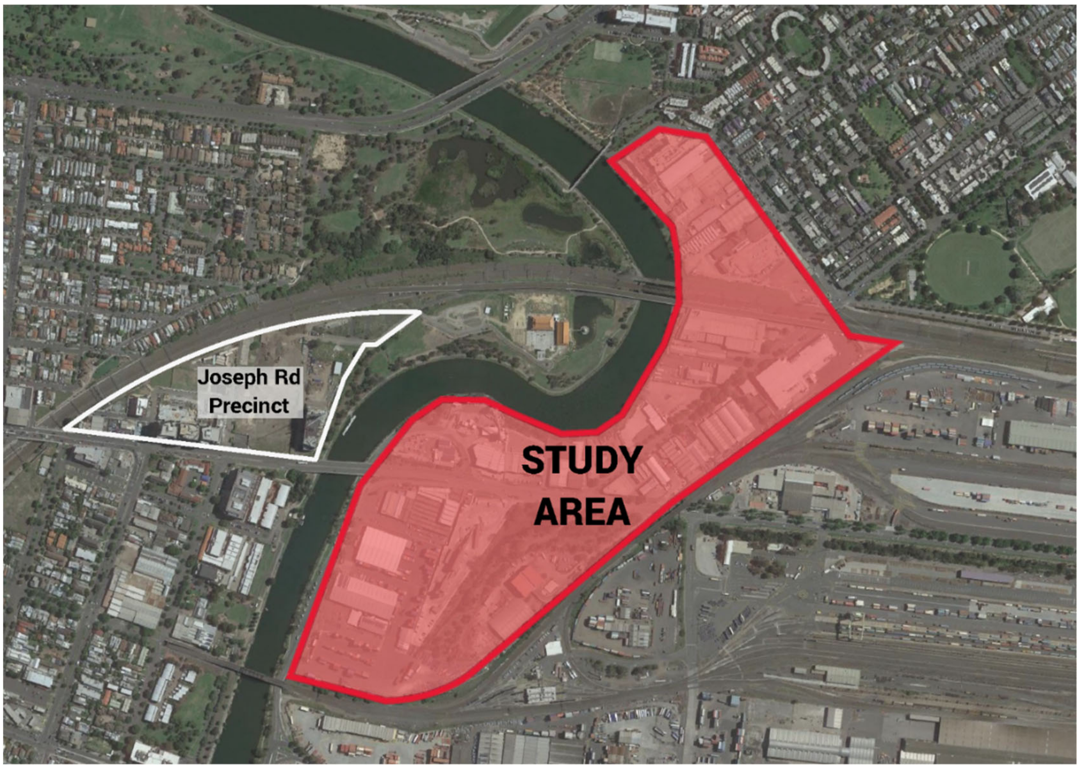
E-GATE

E-gate is a 20-hectare urban renewal area owned by the Victorian Government between the railway yards and Docklands. The timing of the renewal of E-Gate is uncertain and may be impacted by the West Gate Tunnel.

JOSEPH ROAD PRECINCT

The Joseph Road Precinct is also included in this analysis as it is located to the western side of the Maribyrnong River in the City of Maribyrnong and is proximate to the Study Area (as shown in Figure F10). This precinct, covering 15 hectares, is undergoing transition from an industrial precinct to a mixed-use precinct accommodating a mix of residential, office, retail, recreation, and public open space.

F10. JOSEPH ROAD PRECINCT



Source: City of Maribyrnong, 2019.

3.3. MELBOURNE INDUSTRIAL AND COMMERCIAL LAND USE PLAN (DRAFT)

The *Melbourne Industrial and Commercial Land Use Plan* (draft)[4] builds on Plan Melbourne and provides an overview of current and future needs for industrial and commercial land across metropolitan Melbourne. It includes a planning framework to support state and local government to plan more effectively for future employment and industry needs.

According to the report, there is approximately 32,300 hectares of existing and future industrial land in Metropolitan Melbourne, of which around 12,500 hectares (39%) is available. There is also 6,030 hectares of unzoned land identified for future industrial purposes.

Based on this, and recent industrial land consumption of 280 hectares per annum, Metropolitan Melbourne is estimated to have approximately 23 years supply of zoned industrial land available and approximately 15 years supply of unzoned land that has been identified as future supply for industrial purposes.

This is likely to result in future supply constraints at both a regional and local level. As such, the document highlights that there should be adequate long-term land supply for industrial and business uses to mitigate future scarcity and support employment growth.

In the inner Melbourne region, the report includes the following findings:

- "While there is limited land available for industrial purposes across the region, growth in manufacturing and industrial jobs will account for almost 4 per cent of all new jobs over the period 2016 to 2031. Therefore, opportunities will need to continue to be provided across the region to accommodate these types of jobs" (p.43);
- The region is home to industrial areas critical to the State's economy and ongoing prosperity;
- Improved monitoring, oversight and protection of remaining industrial and commercial land is therefore required;
- There is also a need to carefully balance planning for industrial and commercial areas with pressure for ongoing residential development. New residential or mixed-use development adjacent to industrial areas will need careful consideration, so as not to limit the ability of businesses to continue to operate; and
- "Planning for the region should…Retain land … around the Port of Melbourne at Dynon predominantly for industrial uses (p.40)."

[4] Released by DELWP in 2019,

3.4. PORT OF MELBOURNE AND MELBOURNE'S FREIGHT TASK

3.4.1. PORT OF MELBOURNE

The Port of Melbourne is located directly to the south of the Study Area and is a major economic asset of national significance. The Port is Australia's largest maritime hub and connects Australia directly to the Asia Pacific, Europe and North America. The port generates approximately 15,700 full-time equivalent jobs and makes a $1.8 billion value-added contribution to the Victorian economy annually[5]. Infrastructure Victoria estimates the Port of Melbourne will reach capacity by 2055.

3.4.2. VICTORIAN FREIGHT PLAN

The *Victorian Freight Plan* (Department of Economic Development, Jobs, Transport and Resources) identifies priorities to support Victoria's freight system. Key points of in the Plan relevant to this project are as follows:

- Freight volumes in Victoria are predicted to increase from around 360 million tonnes in 2014 to nearly 900 million tonnes by 2051, with nearly two-thirds of that freight to be generated in Metropolitan Melbourne. This indicates that there will be a significant growth in demand for freight-related services and supporting land use surrounding the Port of Melbourne into the foreseeable future;
- The Plan identifies future uses for South Dynon (a sub-region within the Dynon Precinct) which will impact the southern section of the Study Area. The vision for the South Dynon Precinct, which consists of the land between Footscray and Dynon Roads, is to serve three main purposes:
  - As a facility for truck marshalling and handling of empty containers;
  - A precinct which includes warehousing and distribution centres for port related freight; and
  - As an urban freight precinct servicing Melbourne's CBD.

  A key priority of the Plan is to "protect the former Melbourne Market and South Dynon Precincts for port and urban freight related uses for the long term."

The southern section of the Study Area is an area of strategic significance to the Victorian Freight Plan and supports the role of the Port of Melbourne.

3.4.3. FUTURE INVESTMENT IN THE PORT AND FREIGHT CAPACITY OF THE AREA

Infrastructure Victoria's *Advice on Securing Victoria's Ports Capacity* report outlines a range of possible long-term enhancements for the Port of Melbourne to lift capacity. The overall upgrades have an estimated capital cost of nearly $8 billion and focus on expanding the footprint, berth capacity and landside network capacity (i.e. increasing road access and operations).

The *Port of Melbourne Development Strategy 2050* sets out a roadmap for the future of the Port. The Strategy forecasts growing demand for use of the Port based on population growth and increasing levels of domestic and international trade. To support growth in port-related activities, the Strategy identifies important future industrial land use planning opportunities (p.69), including "Safeguarding and protecting areas for freight needs, such as logistics and warehousing, is an important aspect of planning for freight growth and ensuring freight is handled efficiently." One of these opportunities is the potential integration of the former Melbourne Wholesale Market Site in the Dynon Precinct into the Port's operations.

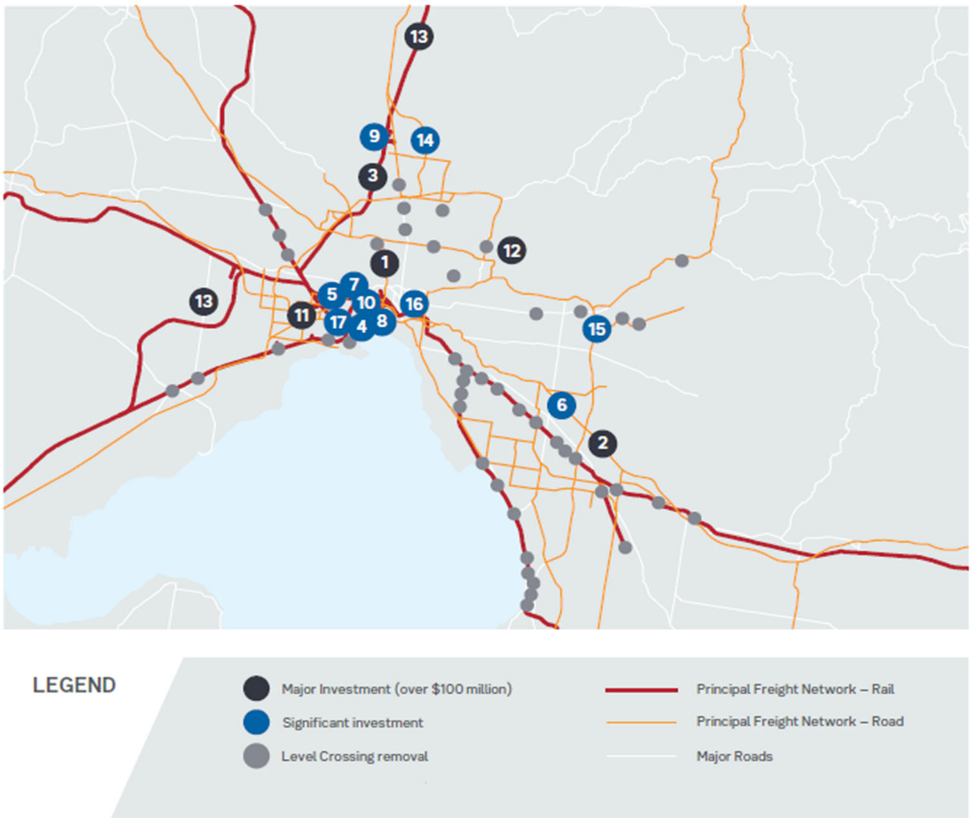
The land network (i.e. road) capacity is also particularly important for the future role of Study Area, as an increase in transport and freight activity around the Port would be enhanced/complemented by compatible industrial land uses in the southern end of the Study Area and other parts of the Dynon Precinct. Current land uses to the south

[5] Invest Victoria 2015

of the Study Area specifically relate to the Port, with relevant uses such as container storage, transport, etc. located south of Dynon Road.

In addition, the State Government is currently undertaking several projects across Metropolitan Melbourne to improve freight efficiency. Figure F11 shows the location of major investments recently completed or underway. There are significant investment projects occurring in close proximity to the Study Area, including Webb Dock access improvements, the Port Rail Shuttle Network, the Port of Melbourne Lease and the Dynon Terminal upgrade.

F11. VICTORIAN FREIGHT INVESTMENT



1 CityLink Widening
2 M1 Widening Stage 1 EastLink-Clyde Rd
3 M80 Upgrade (including bridge strengthening for HPFV)
4 Webb Dock access improvements
5 Bridge strengthening for HPFV – Shepherd Bridge
6 Bridge strengthening for HPFV – M1
7 Pavement strengthening for HPFV – Footscray Rd
8 Port Rail Shuttle Network
9 Steel handling terminal
10 Dynon Terminal upgrade
11 West Gate Tunnel
12 North East Link
13 Proposed interstate freight terminals
14 O'Herns Road interchange
15 Bridge rehabilitation – Dandenong Creek, Wantirna
16 Bridge rehabilitation – Yarra River, Richmond
17 Port of Melbourne Lease

Source: Victorian Freight Plan 2018.

3.4.4. STUDY AREA PROXIMITY AND ACCESSIBILITY

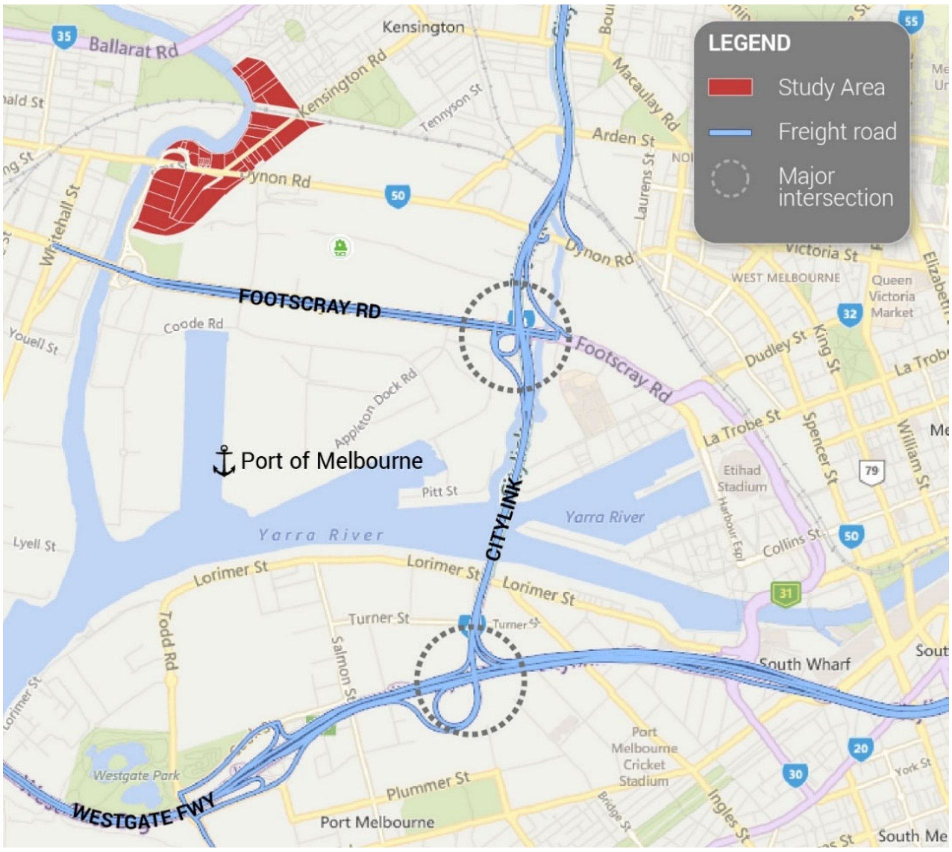
The Port is well connected to the Study Area via the road network for container vehicles as shown in Figure F12. Dynon Road, Sims Street and Footscray Road (within and adjacent to the Study Area) all connect to the Port via a road freight network for semi-trailers and transport containers.

F12. PORT OF MELBOURNE GAZETTED ROADS FOR CONTAINER VEHICLES

Source: VicRoads, 2019

The Study Area is also strategically located to access major freeways as shown in Figure F13. Connections through Footscray Road and Dynon Road to the Citylink and the Westgate Freeway via Footscray Road (and Dynon Road). This provides both north-south as well as east-west vehicle access across Metropolitan Melbourne and Victoria.

F13. KEY FREIGHT ROUTES IN PROXIMITY TO STUDY AREA



Source: Urban Enterprise, 2019.

3.5. OTHER ECONOMIC ISSUES

THE CHANGING NATURE OF INDUSTRIAL LAND USE

The way in which industrial land is used in Melbourne is changing, with the availability of larger and cheaper land in outer areas absorbing significant development, often accommodating business that have relocated from inner areas that are increasingly facing issues associated with congestion, interface issues, high costs and land use change (such as urban renewal).

The spatial distribution of industrial development is explored further in the following section, along with a review of inner-city industrial property market conditions.

Despite larger business focusing on manufacturing, transport and warehousing commonly seeking cheaper and larger sites in outer areas, smaller 'urban' manufacturers are not necessarily motivated by the same location factors. The *Dilemma of Urban Employment Land*, prepared by The Inner Melbourne Action Plan (IMAP), provides findings that aim to guide the IMAP councils[6] in making strategic decisions about the use of land with regards to industrial, commercial, and residential purposes.

The report suggests that small, high-value and innovative urban manufacturers in Melbourne (defined as 'makers') can benefit significantly from the agglomeration economies associated with inner-urban locations and there is

[6] Includes the Cities of Melbourne, Port Phillip, Stonnington, Yarra and Maribyrnong.

value to the urban economy in preserving a place for manufacturing innovators in the central city and immediate inner suburban areas.

Key findings from the document are summarised below:

- There is a critical mass of small urban manufacturers in Melbourne (particularly IMAP councils);
- Space and redevelopment pressures could threaten the 'making' base; and
- A high volume of making firms may seriously consider leaving the Metropolitan Melbourne area (due to space restrictions, quality of facilities, redevelopment pressures and cost of rent).

Opportunities to accommodate small urban manufacturers within the Study Area could, therefore, be considered, however the relatively limited overall land supply within the Study Area is noted and this is not considered to be a priority issue for future planning.

CREATIVE SPACES

One of the focus' of the City of Melbourne's Council Plan is Melbourne's arts and culture sector, particularly aiming to foster growth, innovation and creativity in this industry. Relevant indicators to measure outcomes from the arts and culture sector include:

- The number of creative spaces made available for artists by the City of Melbourne; and
- The number of co-working and incubator spaces for creative industry practitioners provided by the City of Melbourne.

Given the existing presence of an arts studio in the Study Area (River Studios) and the compatibility of large warehouses to be converted into creative spaces, the City of Melbourne's support for the arts and culture sector is relevant to the consideration of land uses in the Study Area, particularly in the context of the significant number of arts spaces in neighbouring Footscray near the Maribyrnong Riverfront.

3.6. KEY FINDINGS

- **The Study Area is located at the western edge of the Dynon Precinct, a Major Urban Renewal Area for which no vision has yet been set. The Arden Vision foreshadows "Dynon as a future employment and logistics precinct."**
- **It could be argued that planning for urban renewal of the Dynon precinct has already begun (due to recent rezoning to the Mixed Use Zone), albeit prematurely, incrementally and in the absence of an overall strategic vision for the precinct.**
- **The Port of Melbourne is located directly to the south of the Study Area and is a major economic asset of national significance. Significant investment in port and related freight infrastructure is underway and planned to continue in proximity to the Study Area.**
- **The southern section of the Study Area is within an area of strategic significance to the Victorian Freight Plan and supports the role of the Port of Melbourne.**
- **The southern section of the Study Area is well connected to the Port, container freight routes and major freeway networks.**
- **The way in which industrial land is used in Melbourne is changing, with the availability of larger and cheaper land in outer areas absorbing significant development, often accommodating business that have relocated from inner areas.**
- **The City of Melbourne Council plan provides support to creative industries which are represented in the study area in the form of River Studios.**

4. EMPLOYMENT LAND DEMAND AND SUPPLY

4.1. INTRODUCTION

This section provides an overview of existing larger format employment land supply within, and in proximity to, the Study Area, as well as a review of relevant demand factors for the existing larger format land uses in the Study Area.

4.2. EXISTING EMPLOYMENT LAND SUPPLY

The following provides an analysis of existing land supply in industrial and large format commercial zones in proximity to the Study Area, as well as the surrounding LGAs of Moonee Valley, Maribyrnong and Hobsons Bay based on the Urban Development Program (UDP).

The UDP includes spatial data on the distribution and occupancy rate of industrial land across Melbourne including land within the Industrial 1, 2 and 3 Zones; and the Commercial 2 Zone. Together, these zones represent the majority of land supply for industrial and large format commercial businesses in the inner areas of Melbourne.

The Mixed-Use Zone and Commercial 1 Zone also accommodate substantial employment; however this is primarily in the form of office and retail space.

CITY OF MELBOURNE

The existing industrial and large format commercial land supply across the City of Melbourne is shown in Figure F14, with the quantum of occupied and vacant land detailed in Table T4.

T4. CITY OF MELBOURNE: OCCUPIED INDUSTRIAL & COMMERCIAL LAND SUPPLY

Zone	Occupied	Vacant	Total
IN1Z (ha)	298	10	308
IN2Z (ha)	-	-	-
IN3Z (ha)	111	-	111
C2Z (ha)	271	2	273
Total (ha)	680	12	692
Total %	98%	2%	100%

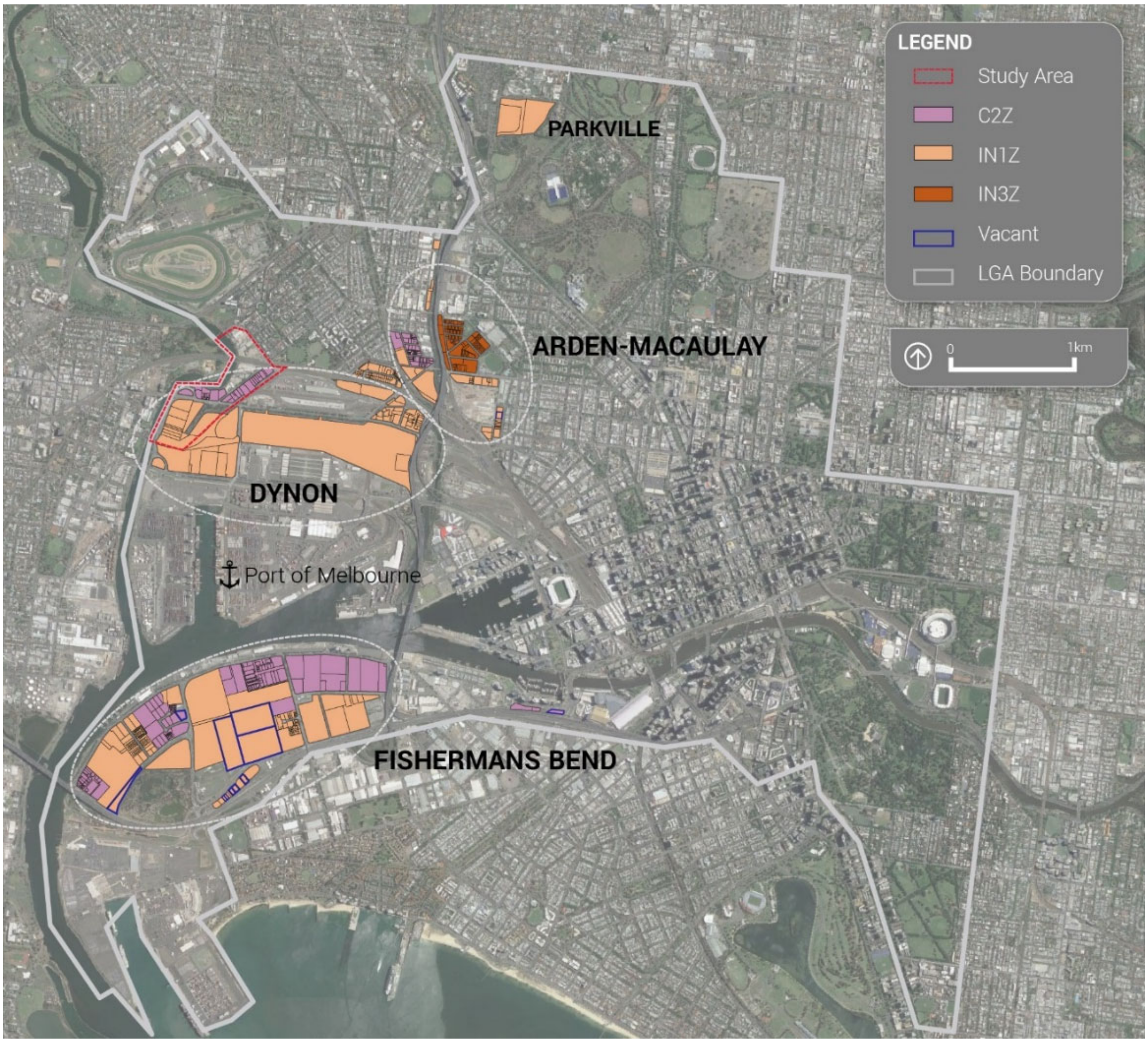
Source: Urban Development Program, 2019

98% of industrial and large format commercial land within the City of Melbourne is occupied, with only 12 hectares identified as vacant.

The industrial land identified in the UDP as vacant includes a number of sites in Fishermans Bend within the former General Motors site that is to be developed by the State Government and University of Melbourne and other sites that are not available for development. In terms of practical supply, there is almost no remaining land available for new industrial and large format businesses in the City of Melbourne.

It is noted that a significant proportion of this industrial land supply is in the process of being rezoned or repurposed, as discussed in the following points.

F14. INDUSTRIAL AND COMMERCIAL 2 ZONE LAND IN THE CITY OF MELBOURNE



Source: Urban Enterprise, 2019.

The location of occupied industrial and commercial land across the municipality (shown above) is concentrated primarily within four areas: Dynon (including the Study Area), Fishermans Bend, Arden-Macaulay and Parkville. Commentary on each area is as follows:

- The Dynon Precinct includes the Study Area and land to the east used for logistics and the former Melbourne Market site. As discussed in the previous section, this area is identified as an urban renewal area.
- Fishermans Bend includes a significant quantum of large format employment land comprising 230 hectares and currently provides 13,000 jobs. The Precinct forms part of the broader Fishermans Bend urban renewal area which is envisaged to accommodate up to 40,000 jobs by 2050. The focus of jobs growth will be on high-value, future-focused industrial firms, leveraging new major research institutions (e.g. Universities) to reflect the creation of modern jobs.
- Arden-Macaulay. The Arden-Macaulay Structure Plan seeks to support a "…transition into a dense, mixed-use inner-city suburb while protecting key industrial sites. Intensified commercial activity at Arden Central linked to the Melbourne Metro will bring significant job growth and extend Melbourne's Central City to the north-west". This is expected to result in the rezoning of existing industrial areas to a new zone supporting this land use transition, including 111 hectares of industrial land being repurposed (equating to 16% of occupied industrial and commercial land within the LGA).
- Parkville. The Parkville Precinct is occupied by a major biotechnology manufacturer (CSL).

The majority of land in larger format employment precincts in the City of Melbourne are experiencing some form of strategic planning designed to either intensify employment densities or transition to a mixed-use environment including residential. This will reduce the amount of industrial land available in the municipality and is likely further restrict already limited opportunities for industrial businesses, maintain low vacancies and increase prices.

SURROUNDING MUNICIPALITIES

Existing industrial/commercial land supply in the surrounding municipalities of Moonee Valley, Maribyrnong and Hobsons Bay has also been reviewed. Table T5 summarises land supply in the main zones, plus the Special Use Zone (SUZ) in Hobsons Bay which accommodates large format industrial uses. Figure F15 shows the location of the occupied/vacant land.

Key points to note include:

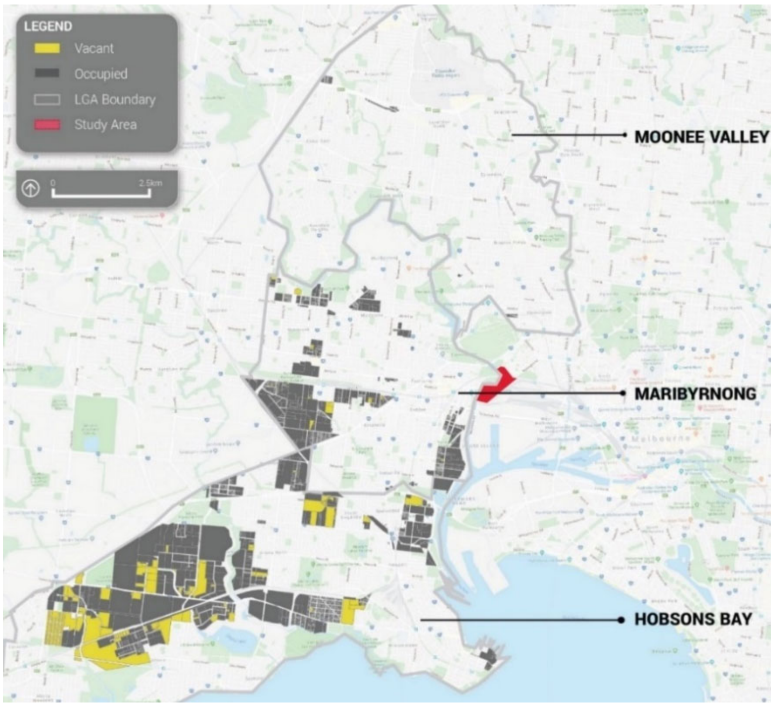
- There is almost no industrial or Commercial 2 Zone in Moonee Valley to the north of the Study Area;
- Although Maribyrnong has several industrial precincts, there are very few vacancies in proximity to the Study Area; and
- The Hobsons Bay land supply is primarily in larger lots and vacancies are concentrated at the western end of the municipality which is not proximate to the Port of Melbourne / Study Area.

T5. INDUSTRIAL AND COMMERCIAL LAND SUPPLY IN SURROUNDING MUNICIPALITIES

Zone	Occupied	Vacant	Total
IN1Z (ha)	1,408	89	1,497
IN2Z (ha)	-	-	-
IN3Z (ha)	809	22	831
C2Z (ha)	407	13	420
SUZ (ha)	322	559	881
Total (ha)	2,946	683	3,629
Total %	81%	19%	100%

Source: Urban Development Program, 2019

F15. LOCATION OF INDUSTRIAL AND COMMERCIAL 2 LAND ACROSS BROADER AREA



Source: Urban Enterprise, 2019

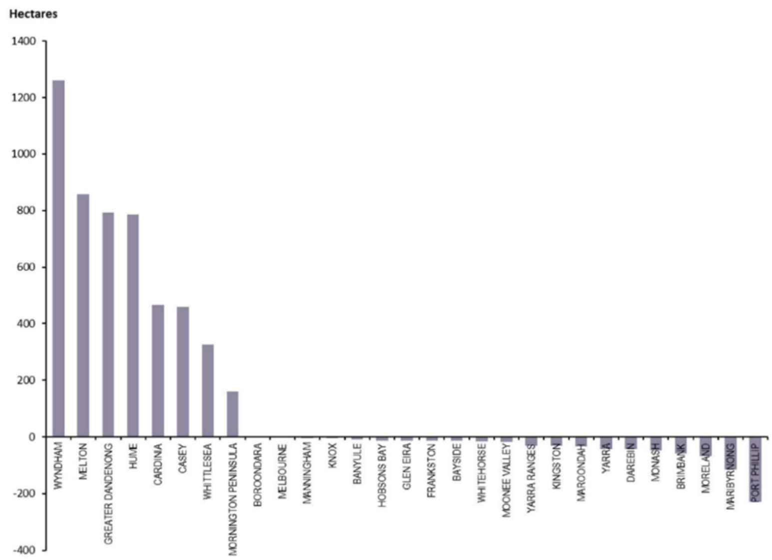
INDUSTRIAL LAND SUPPLY CHANGE ACROSS METROPOLITAN MELBOURNE

Across Melbourne, industrial land demand is primarily being accommodated in State Significant Industrial Precinct and outer suburban areas. Figures F16 and F17 show the net change in industrial zoning in Metropolitan Melbourne between 2001 to 2018.

The largest increases in land zoned for industrial purposes includes the municipalities with a State Significant Industrial Precinct, which are Wyndham, Melton, Greater Dandenong, Hume, Cardinia, Casey and Whittlesea. Reductions of industrial land were mainly evident in Melbourne's inner and middle suburbs, including the City of Melbourne and surrounding LGAs such as Hobsons Bay, Maribyrnong and Port Phillip.

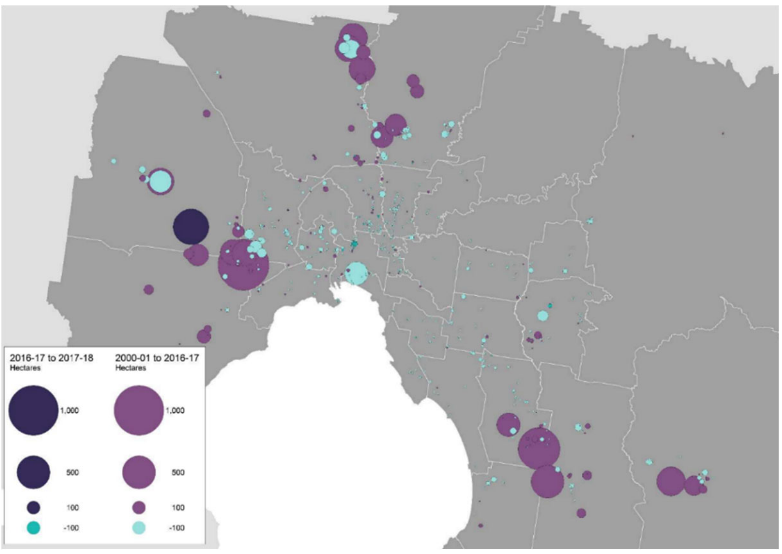
This trend reflects the availability of cheaper land with larger lots and less constraints compared with inner areas and the changing nature of industrial land use in the city. However, it also highlights the increasing scarcity of land in inner areas that can accommodate industrial and commercial businesses which have a strategic reason to locate close to the city or key infrastructure (such as the Port).

F16. NET CHANGE OF INDUSTRIALLY ZONED LAND BY MUNICIPALITY, 2000-01 TO 2017-18



Source: Urban Development Program, 2018 (p. 6)

F17. CHANGE OF ZONED INDUSTRIAL LAND – METROPOLITAN MELBOURNE, 2000-01 TO 2017-18



Source: UDP, Department of Environment, Land, Water and Planning, 2018 (p.9).

4.3. DEMAND DRIVERS

Demand for employment land as part of the Study Area will be influenced by the following:

- Population growth;
- Economic trends and industry shifts;
- Employment growth and projections;
- Property market conditions; and
- Strategic attributes of the site.

Commentary on each of these drivers is provided below.

4.3.1. POPULATION PROJECTIONS

The City of Melbourne's population is forecast to grow to 292,630 by 2036 at an average rate of 3.1% per annum, significantly faster growth than projected across the metropolitan region at 1.8% per annum (see Table T6).

Immediately west of the Study Area, the City of Maribyrnong is projected to experience strong population growth of 2.7% per annum, almost half of which is expected to occur in Footscray, the closest suburb to the Study Area.

Demographic trends and projections indicate that a significant proportion of this growth is likely to comprise young professionals in high-density residences, generating a growing demand base and labour force weighted towards knowledge-based sectors that seek proximity to employment in inner city areas.

T6. MELBOURNE POPULATION FORECAST

Area	Population		Change 2018-2036	
	2018	2036	Growth	AAGR (%)
Melbourne (LGA)	169,960	292,630	+122,670	3.1%
Maribyrnong (LGA)	91,390	147,460	+56,080	2.7%
Greater Melbourne	4,963,349	6,884,100	+1,920,751	1.8%

Source: Victoria in Future 2019, ABS Statistics

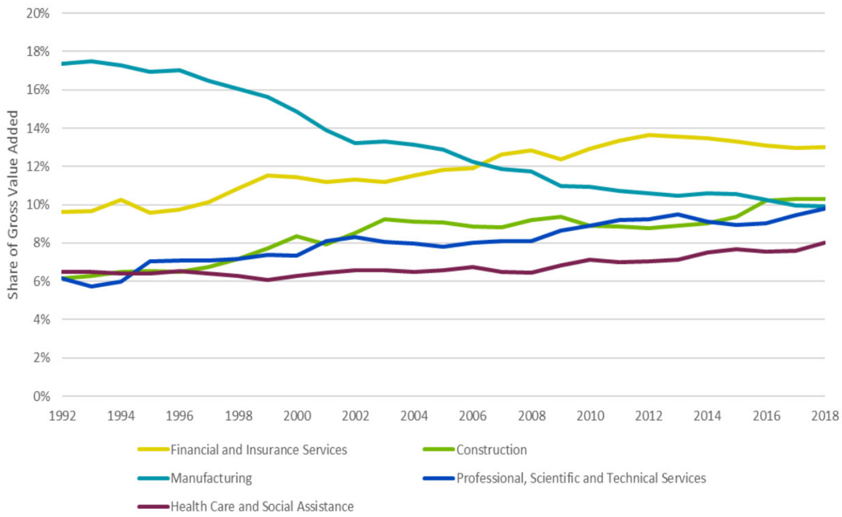
4.3.2. EMPLOYMENT INDUSTRY TRENDS

At a macro level, Melbourne's economy is shifting from a previous reliance on production to a more diversified and knowledge-intensive industry base.

As shown in Figure F18, the value of the manufacturing industry has substantially declined from 17% of the economy in 1992 to 10% in 2018. This has been strong growth in financial services, construction, health care and professional services over the period.

This shift has ultimately led to a shift in employment away from manufacturing and towards white-collar professional services and a fast-growing agglomeration of employment in central Melbourne.

F18. INDUSTRY SHARE OF GROSS VALUE ADDED, GREATER MELBOURNE, TOP 5 INDUSTRIES (1992-2018)



Source: SGS Economics and Planning, derived from NIEIR (2018).

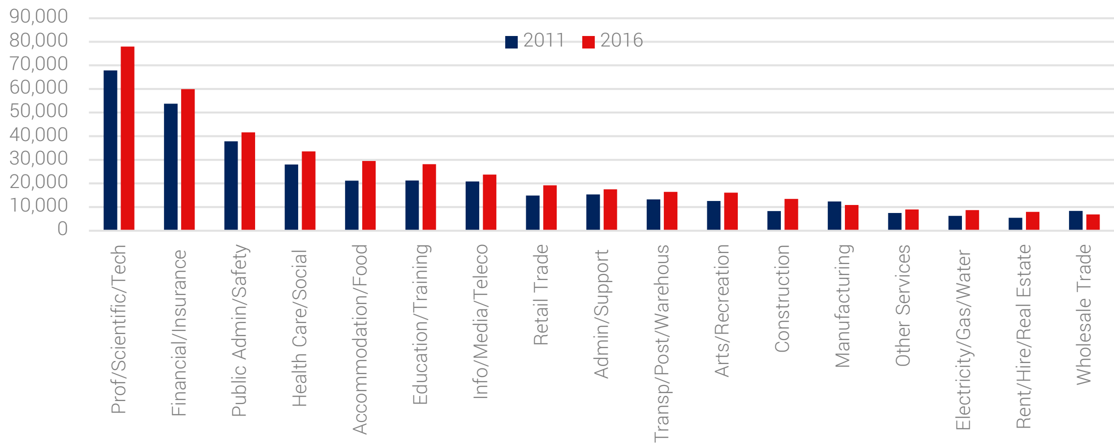
EMPLOYMENT IN THE CITY OF MELBOURNE

Figure F19 shows the main employment industries for the City of Melbourne in 2011 and 2016. The employment trend can be summarised as follows:

- Total employment in 2016 within the municipality is driven by knowledge-based industries including: Professional, Scientific and Technical Services (18%), Financial and Insurance Services (14%) and Public Administration and Safety (14%). These industries, as well as complementary sectors (such as accommodation and food services), experienced significant increases between 2011 and 2016;
- The industrial sectors, in contrast, comprise a smaller proportion of total employment in the LGA, with Transport, Postal and Warehousing, Manufacturing, Wholesale Trade and Construction contributing to 10% of the total number of jobs in 2016. Over the period, there were mixed results for the industrial sectors:
  - Decline in employment in Manufacturing (-1,400 jobs) and Wholesale Trade (- 1,400); and
  - An increase in Transport, Postal and Warehousing (+ 3,000) and Construction (+ 5,100).

There is an important distinction to be made between different types of employment requiring industrial land. Although Melbourne's economy is transitioning to a more knowledge-based economy, substantial population growth is driving demand for employment in the transport and construction sectors, including in inner areas.

F19. CITY OF MELBOURNE EMPLOYMENT BY INDUSTRY 2011 AND 2016

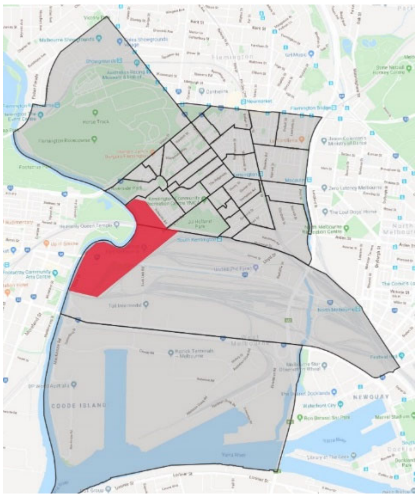


Source: ABS 2011, 2016 Census

EMPLOYMENT IN THE STUDY AREA AND SURROUNDS

The scale, type and trend in employment within the Study Area and surrounds has been analysed based on the Council's *Census for Land Use and Employment* (CLUE) data which is collected annually. The area includes the SA2s of Kensington, Flemington Racecourse and West Melbourne as shown in Figure 20.

F20. KENSINGTON AND WEST MELBOURNE

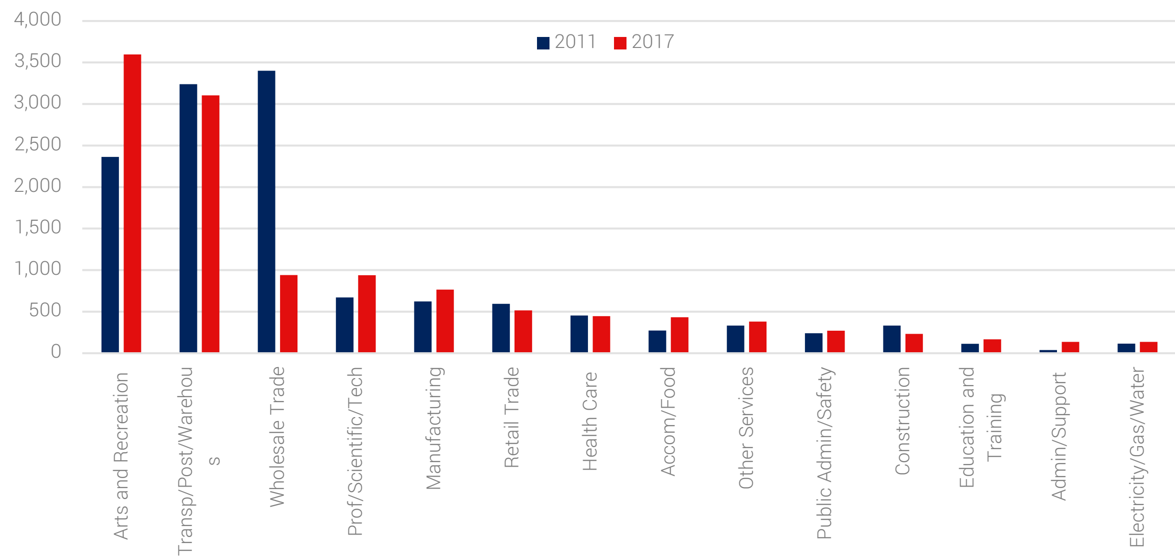


Source: Urban Enterprise, 2019

The change in employment over the period is shown by industry in Figure F21. Observations are as follows:

- The highest employing sectors in the area are Arts and Recreation (including the Flemington Racecourse) and the Transport and Storage sector (primarily driven by the Port of Melbourne and surrounding uses).
- Employment in the area has increased over the period, with 2,856 additional jobs recorded. Employment growth was driven primarily by Arts and Recreation Services (+1,710) and Professional, Scientific and Technical Services (+890) industries.
- There was a decline in employment in Manufacturing (-536) and Wholesale Trade (-1,548) and an increase in Transport, Postal and Warehousing (+404) and Construction (+160) employment, consistent with the results across the City of Melbourne.

F21. EMPLOYMENT IN STUDY AREA AND SURROUNDS, 2011 TO 2017



Source: City of Melbourne Census Land Use and Employment 2011-2017

EMPLOYMENT PROJECTIONS FOR INNER MELBOURNE

Federal government employment projections are published for each SA4 for the 5-year period from 2018 to 2023. These projections provide an indication of the trends in industry growth that should be planned for. Table T7 shows the projections for Inner Melbourne (an illustration of this area in relation to the Study Area is shown in Appendix A).

Substantial employment growth is projected for the inner region (which includes the CBD and surrounds), with a projected increase of more than 9,000 additional jobs each year.

The strongest growth in employment is expected in knowledge and service industries, including Professional, Scientific and Technical Services (20%), Education and Training (16%), Retail Trade (16%) and Health Care and Social Assistance (14%).

The overall employment in industries commonly using industrial land is expected to remain relatively stable (manufacturing, wholesale trade and transport), while Construction employment is projected to increase strongly over the period. During the same period, the amount of industrial land supply in the City of Melbourne is expected to decrease considerably.

T7. PROJECTED EMPLOYMENT GROWTH INNER MELBOURNE 2018 TO 2023

Industry	Additional Jobs 2018 to 2023	Job Growth to 2023 (%)
Professional, Scientific and Technical Services	+15,024	+20.0
Education and Training	+6,286	+16.3
Retail Trade	+5,869	+15.8
Health Care and Social Assistance	+6,409	+14.3
Rental, Hiring and Real Estate Services	+1,044	+11.8
Arts and Recreation Services	+1,319	+11.4
Electricity, Gas, Water and Waste Services	+339	+10.2
Construction	+1,810	+9.7
Accommodation and Food Services	+3,520	+9.4
Public Administration and Safety	+2,018	+9.2
Financial and Insurance Services	+1,902	+8.4
Administrative and Support Services	+1,145	+7.7
Transport, Postal and Warehousing	+168	+1.7
Information Media and Telecommunications	+133	+1.0
Manufacturing	0	+0.0
Wholesale Trade	-187	-1.7
Other Services	-201	-2.0
Agriculture, Forestry and Fishing	-92	-9.5
Mining	-140	-14.8
Total	46,367	+11.6

Source: Department of Jobs and Small Business Projections 2018.

4.3.3. PROPERTY MARKET CONDITIONS

INDUSTRIAL PROPERTY MARKET

Almost half of the land in the Study Area is in the Industrial 1 Zone, and much of the Commercial 2 Zone land could also be described as industrial. The future of industrial land use within the Study Area will to some extent be influenced by the broader industrial property market conditions for industrial land in inner Melbourne.

The following provides commentary on market conditions, noting that the Study Area is considered part of the City Fringe region (with key data summarised in Table T8):

- Industrial land vacancy levels have significantly decreased for prime and secondary grade stock across Melbourne over the past few years. Vacancy in 'prime' industrial stock has declined by around 42% between July 2017 to July 2019;
- In the City Fringe market there is currently no available prime stock and only two available secondary properties over 6,000 sqm. This is driven by recent redevelopment of industrial properties into residential;
- As supply of available industrial land decreases, there has been an overall increase in rents, with prime stock rents increasing by 6% and secondary stock increasing by 5.2% between July 2018 to July 2019. The impact on rent is considerably more acute in the City Fringe, which has almost no available stock, with rents increasing by around 25-30% over the same period. Rents in the City Fringe area are significantly higher than other regions.
- The lack of vacant industrial land has also had a similar impact on industrial land values, which have increased across the board. This is again more significant for the City Fringe, with overall land values more than double other regions.
- Despite the increase in land values, demand for industrial land has remained strong, demonstrated by recent sales activity.

T8. METROPOLITAN INDUSTRIAL PROPERTY MARKET

Region	Vacancy (sqm)		Rents ($/sqm)		Land Values ($/sqm)[7]	
	Prime	Secondary	Prime	Secondary	Prime	Secondary
City Fringe	N/A	17,404	$150	$130	$1,400	$1,200
North	70,332	95,005	$83	$73	$450	$275
East	N/A	95,005	$92	$69	$600	$500
South-East	72,962	106,526	$93	$70	$550	$450
West	201,670	58,501	$84	$70	$360	$250

Source: Knight Frank, Melbourne Industrial Market Overview, August 2019; Savills, Melbourne Industrial – Briefing, June 2019.

The property market data and commentary indicates that there is a scarcity of industrial land and strong demand, within the City Fringe area. Although these circumstances indicate the importance of the industrial land in the Study Area, high rents and land values can also lead to some businesses seeking to relocate to cheaper premises when land is either sold or leases up for renewal.

[7] Include properties between 3,000-5,000 sqm only.

COMMERCIAL OFFICE MARKET

Given macro-economic shifts towards knowledge based employment in Melbourne and projections for strong growth in professional services employment in inner Melbourne, broader commercial office market conditions have been reviewed.

Table T9 provides a snapshot of office market conditions across Metropolitan Melbourne (including the CBD). Key findings and observations from this analysis are outlined below, noting that the CBD and City Fringe data has the closest relationship to the Study Area:

- The Melbourne commercial office market is **performing strongly at present**, underpinned by strong employment growth and a relative lack of new supply in inner areas. As Melbourne's economic specialisations continue to trend towards knowledge industries and population services, these general market conditions are expected to prevail in the short to medium term.
- The Melbourne CBD office vacancy rate (3.3%) has remained low over the past year and is the **lowest CBD vacancy rate** of all capital cities in Australia. This has been driven by increased demand as well as a shortage of quality space for tenants (with vacancy for prime stock at a low of 2.2%).
- The **Melbourne Metropolitan office vacancy rate has decreased** for the third consecutive year, falling from 5.2% to 4.4% in the 12 months to January 2019, below the historical average of 5.9%. In particular, the City Fringe (which includes the Study Area) has the lowest vacancy in Metropolitan Melbourne of 2.2%, with vacancy expected to continue to decline.
- The low office vacancy rates are leading to **increasing demand for larger format offices**. A growing number of tenants are exploring office space outside the CBD, where there is more availability as well as lower rents.
- Over the past five years there has been a **lack of new office supply in the City Fringe**, which has resulted in prolonged low levels of net absorption.

T9. METROPOLITAN MELBOURNE COMMERCIAL OFFICE MARKET

Region	Total Stock (sqm)[8]	Vacancy Rate (%)[9]	Annual Net Absorption (sqm) [10]	Average Net Face Rents($/sqm)[11]	
				Prime	Secondary
Melbourne CBD	4,614,349	3.3%	83,312	$680	$501
City Fringe	1,026,247	2.2%	3,579	$515	$375
Inner East	552,949	3.2%	3,436	$430	$325
Outer East	910,138	7.3%	21,850	$325	$245
South East	348,583	5.0%	13,211	$290	$235
North & West	250,002	4.5%	14,581	$345	$240

Source: Melbourne Metropolitan Office Market Overview April 2019, Knight Frank. Melbourne CBD Office Market Overview September 2019, Knight Frank.

Although the Study Area is separated from the CBD by a significant industrial and transport precinct, the favourable property market conditions for office space combined with projections of strong underlying demand (driven by employment growth in knowledge-based and service industries) indicate that the Study Area could perform a supporting role in accommodating demand for professional services and related employment over the planning period. The Study Area is also located close to a growing professional labour force in Footscray labour force.

It is noted that any potential future office role would need to be considered alongside the significant future supply of commercial office stock likely to be developed in areas of greater strategic advantage for professional services

[8] Includes Prime and Secondary Stock

[9] Includes Prime and Secondary Stock

[10] Includes Prime and Secondary Stock

[11] Where a range was given, the median rate was applied.

businesses, such as in Fishermans Bend and Arden. The study area is considered a secondary or peripheral location for office space compared to other urban renewal areas.

4.4. KEY FINDINGS

A review of employment land supply within, and in proximity to, the Study Area, found that:

- **In terms of practical supply, there is almost no remaining land available for new industrial and large format businesses in the City of Melbourne. This trend reflects the availability of cheaper land with larger lots and less constraints compared with inner areas and the changing nature of industrial land use in the city.**
- **Industrial and commercial land across the municipality is concentrated primarily within four areas: Dynon, Fishermans Bend, Arden-Macaulay and Parkville. The majority of this land is subject to strategic planning designed to either intensify employment densities or transition to a mixed-use environment including residential.**
- **Across Melbourne, industrial land demand is primarily being accommodated in State Significant Industrial Precincts and outer suburban areas, and industrial land is reducing in inner and middle suburbs, resulting in increasing scarcity of land in inner areas that can accommodate industrial and commercial businesses which have a strategic reason to locate close to the city or key infrastructure (such as the Port).**
- **The Study Area could strategically accommodate industrial land to mitigate the scarcity in land availability and provide for complementary industrial uses in the southern section of the Study Area, to support the nearby freight network and the role of the Port of Melbourne.**

In addition, demand for employment land within the Study Area is likely to be influenced by the following:

- **The City of Melbourne's population is forecast to grow to 292,630 by 2036 at an average rate of 3.1% per annum, significantly faster growth than projected across the metropolitan region at 1.8% per annum, driving demand for housing, employment, retail and services in the municipality.**
- **The City of Maribyrnong is projected to experience strong population growth of 2.7% per annum, almost half of which is expected to occur in Footscray adjacent to the Study Area.**
- **Melbourne's economy is shifting from production to a more diversified and knowledge-intensive industry base. This has led to less employment in manufacturing and strong growth in professional services and agglomeration in central Melbourne.**
- **There is an important distinction to be made between different types of employment requiring industrial land. Although Melbourne's economy is transitioning to a more knowledge-based economy, substantial population growth is driving demand for transport and construction, including in inner areas.**
- **Substantial employment growth is projected for the inner Melbourne region, with a projected increase of more than 9,000 additional jobs each year. Strongest growth is expected in knowledge and service industries.**
- **There is a scarcity of industrial land and strong demand within the City Fringe area. High rents and land values can lead to some businesses seeking to relocate to cheaper premises.**
- **Although the Study Area is separated from the CBD by a significant industrial and transport precinct, the favourable property market conditions for office space combined with projections of strong underlying demand indicate that the Study Area could perform a supporting role in accommodating demand for professional services.**

5. ANALYSIS

5.1. INTRODUCTION

This section discusses the strengths, weaknesses, opportunities and threats to the economic positioning of the Study Area and includes an analysis of the implications of broader economic conditions for the medium-term economic role of the area.

5.2. SWOT ANALYSIS

STRENGTHS

The economic strengths of the area are as follows:

- Proximity to the Port of Melbourne, particularly for freight and transport-related activities;
- Road network access and exposure, supporting large vehicle movements to the freight network and excellent exposure to passing trade for businesses near Dynon Road.
- Proximity to a growing population base and labour force;
- Larger lots which are conducive to facilitating both larger businesses as well as redevelopment.

WEAKNESSES

The following weaknesses have been identified:

- Lack of anchor institution or major specialisation / agglomeration. The local economy is primarily anchored by proximity to the Port; however many uses in the central and northern section of the site have little relationship with Port activities. A wide range of land uses co-exist without a clear clustering or agglomeration of economic activity.
- Lack of public transport, particularly in the southern section of the area.
- Spatial separation of properties through linear transport corridors prevents close integration of properties and movement of people between sub-precincts.
- Relatively fragmented landownership and lack of government land ownership limiting opportunities for wholesale redevelopment.

OPPORTUNITIES

- Support the economic value, demand growth and major government investment in the Port by maintaining industrial land for related activities.
- Amenity and open space benefits of Maribyrnong River interface could support residential and commercial uses;
- Improve the protection of key economic assets including the Port and landfill by maintaining separation from any potential future sensitive land uses in proximity.
- Maintaining a scarce employment land resource to facilitate larger format commercial uses.
- Provide greater employment densities and commercial uses to facilitate the transition of the economy towards knowledge and services, especially in areas that can capitalise on river frontage and proximity to South Kensington train station.
- Complement urban renewal across the broader area by providing a Study Area which is differentiated from other mixed-use areas, industrial precincts and activity centres.

THREATS

- Land use conflicts between existing and/or future businesses and sensitive uses could limit economic productivity and functionality of the Study Area. This includes the introduction of any new sensitive uses within proximity to the landfill and industrial areas.
- Economic transition that results in less demand for the land uses currently supported by planning zones, such as physical showrooms, larger format industrial uses and so on. Flexible planning controls should enable the market to respond with developments which meet contemporary economic opportunities over time.
- There is uncertainty about the future land use role of the broader Dynon Precinct. Any significant changes to the land use mix could change the context for land use in the Study Area.
- Potential constraints to development within the Study Area, including contamination and flooding.

5.3. IMPLICATIONS FOR LAND USE IN THE STUDY AREA

The implications of the analysis for the future land use in the Study Area are as follows:

1. Given the economic significance of the Port of Melbourne, future planning should prioritise protecting and supporting the Port operations. This should include retaining land in the Industrial 1 Zone south of Dynon Road for freight related uses and ensuring that residential uses do not encroach on these and any other Port related activities.
2. The balance of the Study Area accommodates a wide range of economic activities. Some are in transition while others are being reinvested in. Land in the northern section of the Study Area (north of the Footscray rail bridge) is unlikely to be an optimal location for industrial uses in the long term. Given the residential interface in this area, the Mixed Use Zone is considered appropriate.
3. Wholesale changes to the land use vision and zoning of the area between the Footscray Rail Bridge and Dynon Road are not recommended given that:
    - There is evidence of reinvestment in buildings and businesses in the Commercial 2 Zone;
    - There is a lack of other large format commercial land in this part of the municipality and population growth will continue drive demand for the services and spaces offered by businesses in the Commercial 2 Zone; and
    - The vision for land use to the east of the Study Area within the Dynon urban renewal area is not yet resolved.

    However, in order to ensure that planning controls in this area provide sufficient flexibility to accommodate changes in economic needs over time (including the transition towards more knowledge based employment) and capitalise on locational advantages, future planning should seek to provide flexibility to enable the following outcomes:

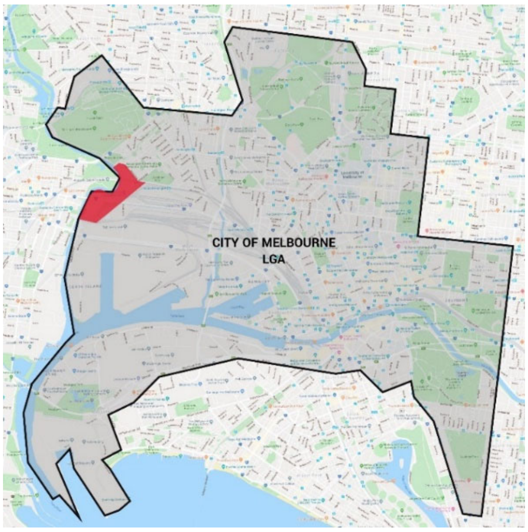
    - A wide range of employment land use types, including offices, retail showrooms, light industrial uses and existing industrial uses.
    - Uses that capitalise on the river interface, which could include restaurants, visitor accommodation and offices. These uses would in turn provide facilities which could support employment intensification in the central section of the Study Area and the attraction and retention of office-based businesses.
    - Larger format commercial, retail and office uses which capitalise on the exposure and access to Dynon Road and provide a land use buffer to industrial land and the landfill to the south.

    This area should prioritise employment and commercial outcomes given the scarcity of employment land in this part of the municipality.
4. Residential uses at upper levels in the northern section of the riverfront and nearby could enable redevelopment and renewal of key sites recently included in the Mixed Use Zone, capitalise on proximity to the South Kensington Station, contribute to the housing needs of the municipality and contribute to a local demand base for local retail and commercial businesses. However, it is important that any residential uses are not located such that amenity conflicts with industrial uses could arise.

APPENDICES

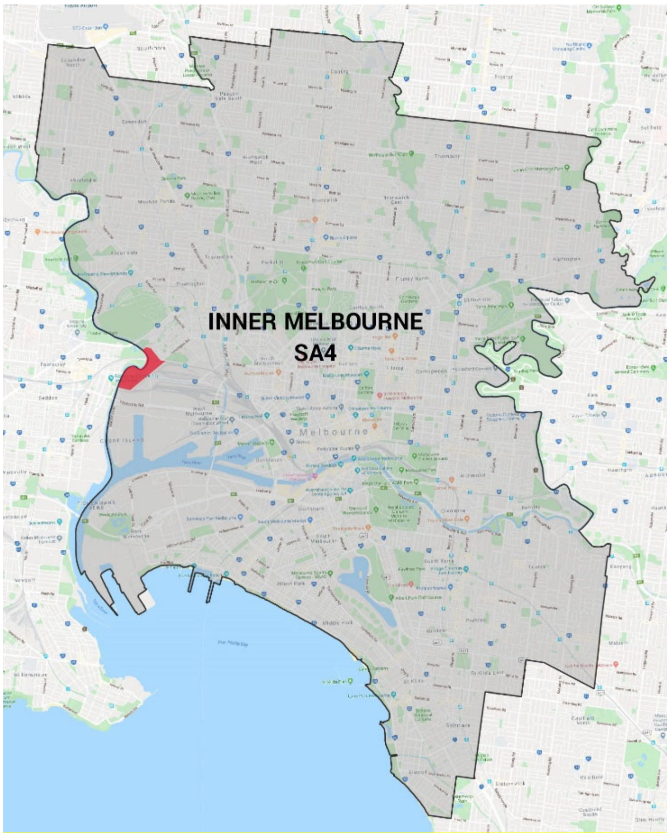
APPENDIX A MAPS OF DATA AREAS

F22. MELBOURNE LGA



Source: Urban Enterprise, 2019

F23. INNER MELBOURNE



Source: Urban Enterprise, 2019