ESSENTIAL ECONOMICS

PMP Printing Precinct, Clayton

Evaluation Report

Prepared for

Victorian Planning Authority

By

Essential Economics Pty Ltd

January 2019

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Contents

INTRODUCTION

Background

The PMP Printing Precinct (the subject site) is an industrial area of some 10 hectares surrounded, primarily, by established residential development. The subject site is located within the core of a broader employment cluster of national significance; the Monash National Employment and Innovation Cluster (Monash NEIC).

Both the City of Monash Industrial Land Use Strategy (2009) and Plan Melbourne identify the subject site as a strategic brownfield redevelopment opportunity. The Victorian Planning Authority (VPA) is preparing a Comprehensive Development Plan (CDP) along with amendment documentation to guide future development of the precinct.

An Economic Assessment is required to assist in informing the preparation of the CDP and planning scheme amendment for the PMP Printing Precinct.

The Economic Assessment Report focusses on providing:

- An understanding of existing and likely future economic and employment conditions of the Precinct
- Market trends
- Policy drivers
- Constraints and opportunities
- Capacity for development of a mix of uses
- Competitive aspects of the location and the source/strength of such competition
- Assessment of different land uses (type, floorspace, location, staging, mix), and
- Support to the CDP Project Control Group in terms of land use quantum and configuration.

The economic brief is provided in several specific parts:

1 A Situation Analysis, focussing on the wider economic and employment context surrounding the subject site and broader area, and commentary on the current and competitive position of the PMP Printing Precinct

2 Future Land Use Advice, relating to the potential mix of land uses

3 Evaluation of the Project Control Group's Draft Future Urban Structure Plan

4 An Economic Assessment Report, which draws together the analysis of preceding tasks

This report addresses Parts 2 (Future Land Use Advice) and 3 (Evaluation of the Project Control Group's Draft Future Urban Structure Plan).

Objectives of the Evaluation Report

To evaluate the Project Control Group's Draft Future Urban Structure Plan, and provide advice in regard to:

- The extent to which the Draft Future Urban Structure appropriately capitalises on the economic and employment opportunities offered by the subject site, and in the context of the Monash NEIC locale. Consideration is given to short, medium and long-term outlooks for the Precinct and its development.
- The type and amount of proposed land uses in the Project Control Group's Draft and the economic feasibility of these potential land uses over the planning period (short/medium/long-term), having regard for locational and other attributes associated with the wider Monash NEIC.
- Any preconditions that would be necessary for the establishment of identified land uses and their economic feasibility in the Draft Future Urban Structure.
- Advice on preferred long-term mix of land uses in the Precinct.

The report structure is set out as follows:

1 Key findings from the Situation Analysis

2 Overview of Draft Future Urban Structure Plan

3 Analysis and Evaluation

4 Advice on Mix of Land Uses

5 Conclusions.

1 KEY FINDINGS OF SITUATION ANALYSIS

This Chapter provides an overview of the key findings contained in the Situation Analysis report.

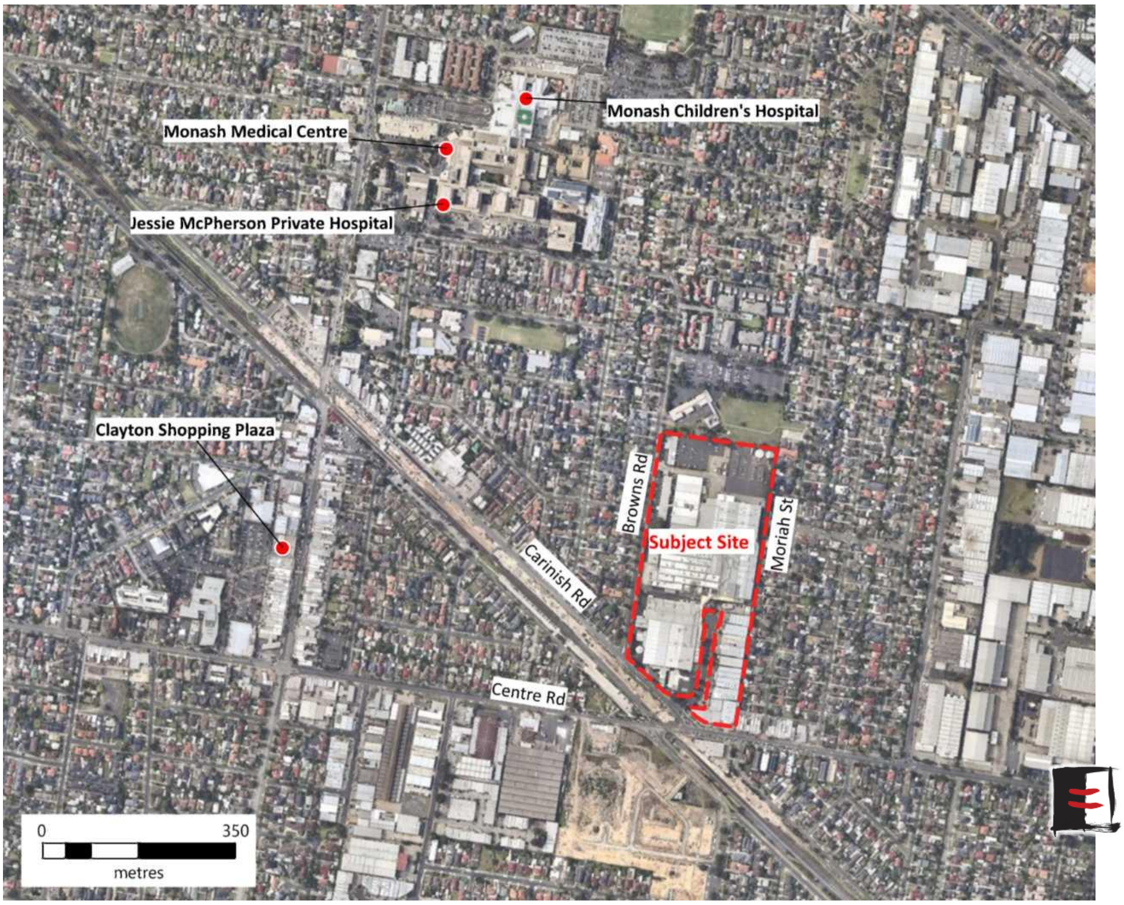
1.1 Subject Site and Planning Context

The subject site is located 18 kilometres (or 24 kilometres by road) south-east of Melbourne's Central Business District (CBD).

Comprising an area of 10 hectares, the subject site is broadly bounded by (see also Figure 1.1):

- **To the north** - medium density housing
- **To the east** - a row of predominantly detached houses that front Moriah Street to the east
- **To the south** - Carinish Road and Centre Road
- **To the west** - Browns Road.

Figure 1.1 Aerial Photograph of Subject Site and local context



Source: Nearmap

The location is within the City of Monash, although the southern boundary of municipality is Centre Road. South of Centre Road is the City of Kingston, and 1.2 kilometres east of the subject site is the municipal boundary with the City of Greater Dandenong.

At present the site is occupied by an existing industrial operation, the PMP Printing facility. The PMP site itself is in two separate land ownerships. We understand that both landowners undertake strategic property investment and development, and that PMP Printing intends to vacate the site in the future.

The built form, ownership, and local context have implications for the subject site's future, including:

- The 10 hectare site represents a land area of significant scale within the local context.
- An approved Development Plan for 29 Browns Road will see medium density residential development, incorporating 250 dwellings, abutting the northern edge of the PMP Printing site.
- A development on the south side of Centre Road (Jacksons Green) will see approximately 350 townhouses and apartments in close proximity to the subject site.
- Additional medium and higher density residential developments have emerged on the south side of Centre Road (east of the railway line), and are under construction on the triangular parcel of land between Centre Road, Carinish Road and Clayton Road.
- Current built form across the subject site can be described as utilitarian. It is fit for its current industrial purpose, although does not lend itself to adaptive re-use or higher order activities. The subject site is unlikely to easily transition to another industrial use given the specific modifications and layout intended to support the current land use.
- The removal of level crossings at Clayton Road and Centre Road will improve rail frequency and capacity, and result in more efficient road traffic flows. The project is expected to act as a catalyst for more intensive residential and commercial development in the local area, particularly in areas within walking distance of Clayton Train Station.

Although the subject site's locational context indicates a local area undergoing more intensive forms of development, it is important to consider the subject site within the broader regional strategic context.

1.2 Regional Context

The subject site is located within the Monash NEIC which has the largest concentration of employment outside of the Melbourne CBD. The Monash NEIC is expected to continue to experience ongoing development and employment growth in the future.

The Monash NEIC has leading education, health, research and commercialisation facilities, with a mix of education, research and industry organisations.

Employment trends, infrastructure investment, and development opportunities and challenges acting at the Monash NEIC level have implications for the subject site's future, including:

- **Employment.** The subject site is part of a wider area employing upwards of 80,000 across a broad range of industry, education, health, retail and other services.
- **National Significance.** The Monash NEIC is an educational, research, health and industry hub of national importance.
- **Education and Research.** The Monash NEIC is anchored by Monash University, Monash Medical Centre, several major research facilities and private industry R&D infrastructure. The subject site is 500 metres from the Monash Medical Centre and one kilometre from Monash University.
- **Rail Corridor**. The subject site is one of several along the Cranbourne-Pakenham rail corridor identified in the Monash NEIC Draft Framework Plan. At present, the Cranbourne-Pakenham rail corridor is undergoing a major upgrade which will improve capacity and service frequency on the line.
- **Clayton Business Park.** The Clayton Business Park, located one kilometre from the subject site, is currently undergoing planning for a major mixed use development comprising, employment and residential outcomes.
- **M-City.** One kilometre north-east of the subject site is the M-City major mixed use development comprising high density apartment towers, offices and retail facilities.
- **Corporate Office.** Corporate office development is prominent along Ferntree Gully Road, Springvale road and Wellington Road, including national headquarters for a number of major corporate entities.
- **Population Growth.** The population of the Monash NEIC and its surrounding residential hinterland is expected to increase from 125,000 people in 2017 to 149,000 by 2032.
- **Student Living.** In recent years strong growth has occurred in the number of university students living in the Monash NEIC area.
- **Changing Industry Structure.** Over the past 20-years a significant decrease in the number of persons employed in the manufacturing industry has been experienced in the region. At the same time, there has been an increase in the number of persons employed in Healthcare and Social Assistance, Education and Training, Construction Professional, Scientific and Technical Services, and Public Administration and Safety. It is considered likely that these employment trends will continue in the future as the Monash NEIC transitions further from manufacturing and towards a services-based economy.

The Monash NEIC can now be considered a mature part of middle-suburban Melbourne. The strength of existing institutions and (improving) infrastructure is acting as a catalyst for more intensive forms of development including residential, commercial and retail uses. Planning strategies encourage an intensification of land use in strategic locations within walking distance of the public transport network, noting the high quality public transport links in proximity to the subject site.

1.3 Competitive Position

The decline of manufacturing in the Monash NEIC mirrors broader state and national trends. With some of Australia's most highly regarded educational, health and research facilities located within the Monash NEIC, the area is well-positioned to capitalise on broader structural trends.

As an employment area transitions from secondary industry to tertiary industry, the area required to accommodate employment is smaller than that required to accommodate activities such as manufacturing, wholesale trade, and freight and logistics.

1.4 Development Opportunities

The subject site is suitably located to accommodate a number of land uses, including components of office/commercial services, residential and a small component of local retail services.

These potential uses are supported when consideration is given to the forecast growth in residential population in the broader Monash NEIC area. This includes the need to provide residential dwellings to accommodate population growth, the need to generate local jobs for the growing population, and the need to provide sites for businesses that will serve the surrounding area.

The Situation Analysis did not consider the subject site to be a location where industrial and related activities would likely prosper in the future in view of:

- The compromised location within an established residential neighbourhood
- Limited main road frontage, and
- The preference for major industry to locate in more affordable, well-serviced and readily accessible industrial areas further south and east of the subject site.

1.5 Conclusion

The main conclusions from the Situation Analysis are summarised as follows:

- Should PMP cease to operate at the subject site, new **industrial development** in the form of utilisation of existing buildings or construction of new buildings for industrial use is considered unlikely, having regard for the competition from new industrial areas, such as at Dandenong South and in the Cardinia corridor.

- **Residential development** is considered a suitable use for the precinct, having regard to the locational attributes of the precinct and environs (including, for example, accessibility to major road infrastructure, public transport and the Clayton MAC).

- **Office/commercial services, including medical suites** are considered suitable for the Carinish Road and Centre road frontage, having regard for commercial exposure that these roads offer. It is noted however that office space is more likely to be pitched at small business use, than large corporate uses.

- **Retail facilities** along the Centre Road strip should be supported and renewed, having regard for the forecast employee, student and resident population growth.

2 OVERVIEW OF THE DRAFT FUTURE URBAN STRUCTURE PLAN

This chapter provides an overview of the Draft Future Urban Structure Plan (DFUSP) that has been prepared by the VPA, in conjunction with Monash City Council.

2.1 Description of Draft Future Urban Structure Plan

The DFUSP proposes the following development outcomes:

- Office based development located at the southern end of the subject site with exposure and access from Centre Road and, more particularly, Carinish Road.
- Residential development occupying the balance of the subject site.

The layout proposed in the DFUSP is shown in Figure 2.1.

2.2 Draft Yield Estimates

The DFUSP contemplates approximately 900 dwellings and 34,000m^2 of commercial office space on the subject site.

Figure 2.1: Draft Future Urban Structure Plan Layout, January 2019

Source: Victorian Planning Authority

3 ANALYSIS AND EVALUATION

Chapter 3 undertakes an evaluation of the potential land use mix outlined in the DFUSP. In doing so, key findings from the Situation Analysis are considered, along with relevant data available from sources including the 2016 Australian Census of Population and Housing.

3.1 Ongoing Industrial Use

As noted in Chapter 1 of this report, the Situation Analysis concludes that ongoing industrial use of Sub-Precinct A is unlikely.

Accordingly, ongoing use of the subject site for industrial purposes, including adaptive re-use or redevelopment is not re-considered. Rather, land uses contemplated in the DFUSP are evaluated as presented in Chapter 2 of this report.

3.2 Residential Development

The DFUSP contemplates a mix of approximately 900 townhouses and apartments on the subject site.

The following analysis considers whether there is sufficient demand for this number of residential dwellings in this location and, whether the dwelling typology contemplated is likely to be supported by the market.

Population Growth and Changes in Household Type

Greater Melbourne[1] is projected[2] to increase in population from 4.63 million in 2016, to 6.06 million in 2031, and 8.02 million by 2051. This equates to an annual increase of +95,000 persons in the fifteen years to 2031, and +97,000 persons in the 35 years to 2051.

This equates to a dwelling requirement of +42,750 per annum in the 15 years to 2031, and +43,900 dwellings per annum over the 35 years to 2051.

Population and dwelling projections from 2016 to 2031 at a regional level are shown in Table 3.1; specifically, the municipalities of Monash, Greater Dandenong and Kingston as the most relevant to the subject site.

Combined, the three municipalities are projected to accommodate an additional +83,750 persons in +37,740 dwellings over the 15 years from 2016 to 2031. This equates to average growth of +5,580 persons per annum, and average dwelling growth of +2,520 per annum.

[1] Greater Melbourne Capital City Statistical Area

[2] Victoria In Future 2016 (Department of Environment, Land, Water and Planning)

In the City of Monash, average growth over the 15 year period is projected at +1,760 persons and +720 dwellings.

Table 3.1 Victoria In Future 2016 Population and Dwelling Projections

Region	2016	2021	2026	2031	*2016-2031*
Monash (C)					
Population (No.)	189,590	199,840	207,570	215,990	*26,400*
Average Annual Growth (No.)	+2,180	+1,750	+1,520	+1,790	*+1,760*
Average Annual Growth (%)	+1.2%	+0.9%	+0.7%	+0.8%	*+0.9%*
Structural Private Dwellings	71,910	76,390	79,430	82,740	*10,830*
Greater Dandenong (C)					
Population (No.)	155,770	169,660	181,260	193,590	*37,820*
Average Annual Growth (No.)	+2,930	+2,510	+2,290	+2,510	*+2,520*
Average Annual Growth (%)	+1.9%	+1.5%	+1.3%	+1.3%	*+1.5%*
Structural Private Dwellings	56,640	61,760	65,720	70,120	*13,480*
Kingston (C)					
Population (No.)	156,130	165,080	173,540	182,720	*26,590*
Average Annual Growth (No.)	+1,550	+1,690	+1,670	+1,900	*+1,770*
Average Annual Growth (%)	+1.0%	+1.0%	+1.0%	+1.1%	*+1.1%*
Structural Private Dwellings	64,530	69,250	73,340	77,960	*13,430*
Total					
Population (No.)	501,490	534,580	562,370	592,300	*90,810*
Average Annual Growth (No.)	+6,660	+5,950	+5,480	+6,200	*+6,490*
Average Annual Growth (%)	+1.3%	+1.1%	+1.0%	+1.1%	*+1.1%*
Structural Private Dwellings	193,080	207,400	218,490	230,820	*37,740*

Source: Victoria In Future 2016 (Department of Environment, Land, Water and Planning)

Projected demographic trends also provide an insight into the types of dwellings that may be required in the future. The projected change in household types over the period 2016 to 2031 is summarised in Table 3.2. In this instance, the City of Monash is assessed though it is important to note that similar trends are occurring across Greater Melbourne, including in Greater Dandenong and Kingston.

The largest increase in household type in the City of Monash is expected to be in the traditional 'Couple Family with Children' category, though this category comprises only 35.3% of the total projected increase in households. The balance comprises non-traditional households including couple families without children, one-parent families, group households and single person households.

Table 3.2 Victoria In Future 2016 Projections of Household Type (City of Monash)

	Monash (C)				
	2016	**2021**	**2026**	**2031**	***2016-2031***
Couple family with children	24,450	25,970	27,270	28,470	*+4,020*
Couple family without children	18,590	19,540	20,000	20,560	*+1,970*
One-parent family	6,750	7,090	7,400	7,770	*+1,010*
Other family	1,370	1,410	1,450	1,510	*+140*
Group household	4,140	4,180	4,250	4,430	*+290*
Lone person	14,350	15,350	16,180	17,040	*+2,690*
Total	**69,650**	**73,550**	**76,550**	**79,780**	***+10,120***

Source: Victoria In Future 2016 (Department of Environment, Land, Water and Planning)

Suitability of Subject Site for Residential Development

As highlighted in the Situation Analysis, the subject site is well-suited to residential development due to the following attributes:

- Neighbouring established residential interfaces
- Existing approval for apartment and townhouses to the north of the subject site
- Proximity to Clayton Activity Centre
- Proximity to major employment and activity attractors including Monash University and Monash Medical Centre
- Proximity to Clayton Train Station
- Proximity to broader areas of employment in the Monash NEIC
- Support for higher density residential development in State and Local Planning Policy.

Assessment Against Draft DFUSP

Overall, the DFUSP contemplates approximately 900 dwellings medium and higher density dwellings.

In numerical terms, a supply opportunity of this scale represents around 2.8% (based on a site yield of 1,050 dwellings) of the required dwelling provision between 2016 and 2031, across the cities of Monash, Greater Dandenong and Kingston. Alternatively, the dwelling yield contemplated in the DSUSP provides four months of the combined residential supply requirements of the three municipalities.

In terms of the City of Monash, the DFUSP provides 9.7% of the future dwelling requirement over the period 2016 to 2031, or approximately 18-months of the residential supply requirement.

With regard to dwelling type, medium and higher density forms of housing respond to overall dwelling growth and assist in addressing specific segments of housing need. In this respect, the dwelling mix proposed for the subject site satisfies areas of market growth.

In practical economic terms, the proposed dwelling mix at the subject site also responds to the scarcity of strategic redevelopment sites in the surrounding area and, accordingly, recognises the high underlying value of such sites.

Conclusion – Residential Development

Future population growth, and established trends in household growth, point to ongoing strong demand for housing, particularly dwelling product that my suit non-traditional household structures. The location of the subject site proximate to an established activity centre and public transport infrastructure further reinforces the subject sites suitability of the subject site for medium and higher density forms of residential development.

In summary, there is strong evidence-based support for the residential outcomes contemplated in the DFUSP.

3.3 Office Development

The DFUSP contemplates total office floorspace of around 34,000m^2 located at the southern end of the subject site, adjacent to where Carinish Road joins Centre Road.

Applying an average of 20m^2 per office job (an industry metric for average suburban office employment), potential net floorspace of this magnitude would support an estimated (approximately) 1,700 jobs.

Demand for office floorspace is essentially generated by two factors:

- growth in white collar employment; and
- decisions of employers in regard to the locational and other requirements associated with business operations (for example, proximity to complementary and related inputs and customers).

Employment trends in the Monash NEIC

In terms of white collar employment growth, and because the Monash NEIC is already an established centre for employment, it is instructive to review the trends in terms of the workforce (that is, those who persons who work in the Study Area).

Workforce trends, and specifically the proportion of the workforce employed in white collar occupations is used as a reference point in this assessment of potential demand for office development in the Monash NEIC, and at the subject site.

With 2016 National Census data now available, it is possible to assess how the workforce in the Study Area has evolved over the most recent period (2011 to 2016), by way of the Industry sector in which they are employed (Table 3.3), and by way of Occupation (Table 3.4).

It is evident in Table 3.3, that Tertiary Industry sectors of employment have experienced significantly higher growth in employment (+3.9% p.a.) than Secondary Industry (-4.0% p.a.) and Primary Industry[3] (+0.1% p.a.).

In terms of occupational trends, Table 3.4 identifies those growth in different occupation categories. Although, all identified occupational categories recorded positive growth, the most significant growth occurred in Managers (+1,930 persons between 2011 and 2016), Professionals (+3,400), and Community and Personal Service Workers (+2,130).

[3] Primary Industries, as expected, are immaterial in terms of employment numbers in a metropolitan environment such as the Monash NEIC.

Table 3.3 Monash NEIC (Study Area) – Workforce Industry of Employment, 2011 to 2016

Industry Sector	2011		2016		2011-2016	
	No.	Share	No.	Share	No.	Share
Primary Industry						
Agriculture, Forestry and Fishing	90	0.1%	190	0.2%	100	0.1%
Mining	30	0.0%	50	0.1%	20	0.0%
Sub-Total	**120**	**0.1%**	**240**	**0.3%**	**120**	**0.1%**
Secondary Industry						
Manufacturing	16,000	19.4%	12,620	14.1%	-3,380	-5.3%
Construction	5,450	6.6%	7,060	7.9%	1,610	1.3%
Sub-Total	**21,450**	**25.9%**	**19,680**	**21.9%**	**-1,770**	**-4.0%**
Tertiary Industry						
Electricity, Gas, Water and Waste Services	890	1.1%	880	1.0%	-10	-0.1%
Wholesale Trade	9,580	11.6%	6,940	7.7%	-2,640	-3.9%
Retail Trade	8,680	10.5%	9,780	10.9%	1,100	0.4%
Accommodation and Food Services	2,340	2.8%	3,320	3.7%	980	0.9%
Transport, Postal and Warehousing	3,930	4.8%	4,740	5.3%	810	0.5%
Information Media and Telecommunications	1,660	2.0%	1,720	1.9%	60	-0.1%
Financial and Insurance Services	2,000	2.4%	2,070	2.3%	70	-0.1%
Rental, Hiring and Real Estate Services	820	1.0%	1,200	1.3%	380	0.3%
Professional, Scientific and Technical Services	5,930	7.2%	7,300	8.1%	1370	1.0%
Administrative and Support Services	2,540	3.1%	3,570	4.0%	1,030	0.9%
Public Administration and Safety	1,690	2.0%	1,870	2.1%	180	0.0%
Education and Training	7,830	9.5%	10,030	11.2%	2,200	1.7%
Health Care and Social Assistance	9,940	12.0%	12,530	14.0%	2,590	1.9%
Arts and Recreation Services	660	0.8%	870	1.0%	210	0.2%
Other Services	2,600	3.1%	3,080	3.4%	480	0.3%
Sub-Total	**61,090**	**73.9%**	**69,900**	**77.8%**	**8,810**	**3.9%**
Total	**82,660**	**100.0%**	**89,820**	**100.0%**	**7,160**	**0.0%**

Source: ABS National Census of Population and Housing (2016)

Table 3.4 Monash NEIC (Study Area) – Workforce Occupations, 2011 to 2016

Occupation	2011		2016		2011-2016	
	No.	Share	No.	Share	No.	Share
Managers	11,750	14.0%	13,680	14.3%	1,930	0.3%
Professionals	21,750	26.0%	25,150	26.4%	3,400	0.4%
Technicians and Trades Workers	11,320	13.5%	12,600	13.2%	1,280	-0.3%
Community and Personal Service Workers	4,000	4.8%	6,130	6.4%	2,130	1.6%
Clerical and Administrative Workers	14,560	17.4%	14,700	15.4%	140	-2.0%
Sales Workers	6,520	7.8%	7,750	8.1%	1,230	0.3%
Machinery Operators and Drivers	6,760	8.1%	6,830	7.2%	70	-0.9%
Labourers	5,950	7.1%	6,930	7.3%	980	0.2%
Inadequately described	1,040	1.2%	940	1.0%	-100	-0.3%
Not stated	120	0.1%	710	0.7%	590	0.6%
Total	**83,770**	**100.0%**	**95,420**	**100.0%**	**11,650**	**0.0%**

Source: ABS National Census of Population and Housing (2016)

Potential Office Floorspace to Accommodate Growth in Office Employment

Forecasting future office floorspace demand is an imprecise science. The approach taken in this assessment is to assume:

- A grouping of Professional, Managerial and Clerical/Admin occupations represents a proxy for the Whitecollar workforce in the Study Area.
- The Whitecollar workforce will require office-based jobs.
- The rate of growth in the Whitecollar workforce between 2011 and 2016, will be repeated over the period 2016 to 2031.
- An average of 20m2 per office job.

The result is that in broad terms, the anticipated growth in the 'white collar' workforce in the Study Area would require an estimated 410,000m^2 or so of new office floorspace in the period 2016 to 2031. This broad estimate of floorspace is based on forecast growth of +20,445 workers in white collar occupations between 2016 and 2031 and an industry average of 20m^2 per office job. The calculations are summarised in Table 3.5.

Table 3.5: Forecast Growth in Office Floorspace Demand Associated with Growth in the Monash NEIC Workforce, 2016 to 2031

Monash NEIC	2011	2016	2031	Total 2016-2031
Workforce	83,770	95,420	141,060	45,640
White Collar Workforce	48,060	53,530	73,975	20,445
Estimated Office Floorspace Supported (Rounded))				410,000m^2

Source: Essential Economics
Notes: White Collar includes Professional, Managerial and Clerical/Admin occupations
Average 20m^2 per office job (industry average)

The estimated 410,000m^2 in office floorspace requirements by 2031 is provided as a broad guide to overall office floorspace demand generated by an anticipated increase in the Monash NEIC workforce and it comes with a number of important qualifications. These include:

- The approach taken represents a theoretical approach and based on the assumptions outlined above.
- Office space is loosely defined and includes floorspace associated with the healthcare and education sectors. In the Monash NEIC it can be reasonably assumed these sectors will represent a significant proportion of required floorspace.
- The actual amount of 'office' space likely to be constructed over this period in the Monash NEIC will be dependent on:
  - The vacancy rate of existing office supply
  - Ongoing investment in education and health related services
  - The relative competitive position of the Monash NEIC against other key office employment nodes
  - Prevailing economic conditions at a national, state and local level
  - Emerging trends in employment, and office space provision including the amount of floorspace required per employee.

Implications for the Subject site

Having regard for the above considerations, potential demand for office development associated with the subject site is likely to be generated by two broad components of the office market, as follows:

- businesses that seek office accommodation in proximity to an established activity centre and public transport
- business or users allied with, or requiring proximity to, major institutional facilities such as the Monash Medical Centre, and Monash University.

It should be noted that while the majority of white collar occupations are likely to be located in conventional 'office' developments (and ranging from small to large building footprints), a share will also be associated with white collar jobs in manufacturing, transport and logistics, commercial and retail businesses.

As a measure of the overall scale of theoretical demand (based on the aforementioned assumptions) potential office development at the subject site (at 34,000m^2) would be equivalent to around 8% of total supportable office floorspace in the Monash NEIC between 2016 and 2031.

The Monash NEIC Corporate Office Sector

The Monash NEIC represents Melbourne's most significant corporate office market outside Melbourne's Central Business District (CBD) and CBD fringe areas such as St Kilda Road, Southbank and Docklands.

Notably however, the corporate office sector is largely confined to the northern area of the Monash NEIC, particularly around Ferntree Gully Road, Wellington Road, Blackburn Road and Springvale Road.

Analysis by corporate real estate firm Knight Frank (February 2017) noted that in 2016, Melbourne's Outer Eastern precinct (which includes the Monash NEIC) accounted for 94% of the total net absorption within the Melbourne suburban office market. This included, for example, the relocation of Mazda's Australian headquarters to 211 Wellington Rd, Mulgrave, in the Monash NEIC.

Even so, the commercial office market has recently been somewhat subdued. Colliers International (Metro Office Report, First Half 2017) note the following in regard to the south-east Melbourne office market (which includes the Monash NEIC):

- Vacancy in the south-east is at record high levels, reaching 13.1% in March 2017, against a long-term average of 6.7%.
- A low level of demand exists in the South-East due to the continued preference of Melbourne's metropolitan office tenants to locate in the City Fringe, Inner East and Outer East.
- A-grade net face rents are among the lowest in Melbourne at \$285/m^2, compared to \$335/m^2 in St Kilda Road, \$475/m^2 in Southbank, \$380/m^2 in the Inner East and \$400/m^2 in the City Fringe.

This situation must be taken into account when considering the overall outlook for office floorspace in the Monash NEIC.

Suitability of Subject Site for Office Development

As established in the Situation Analysis, it is considered unlikely the subject site will attract major corporate tenants. This is due to:

- The southern part of the Monash NEIC having been seen as being the domain of large format industry.
- A lack of presence. Centre Road lacks the major arterial or 'boulevard' presence of, for example, Ferntree Gully Road and Wellington Road.
- A lack of exposure compared to the established corporate locations in the northern part of the Monash NEIC.
- Lack of easy access to the Monash Freeway.

These factors, coupled with a lack of direct exposure to Centre Road itself, means the office component is considered unlikely to attract large scale corporate tenants.

Nonetheless, the proximity of high standard public transport links does mean that some scope may exist for a major corporate office tenant to be attracted to the subject site, although the overall probability is considered relatively low and subject to market testing at the appropriate time in the future.

Notwithstanding the subject site is considered unlikely to attract major corporate tenants, the site's general locational attributes (proximity to Clayton Activity Centre, access to public transport, proximity to Monash University and Monash Medical Centre), suggests an opportunity for specialised office based uses at the southern end of the subject site (as contemplated in the DFUSP).

For example, should the Healthcare and Social Assistance, and Education and Training sectors continue to increase, a need for well-located office space will be generated.

As a guide, should health aligned employment increase by, say, 2,000 persons over the next ten years, there would be a need for an additional 60,000m^2 of floorspace (at, say, 30m^2 gross building area per employee).

Similarly, further increases in administrative support to the tertiary education sector or corporate support services of, say, 2,000 employees, is likely to create a demand for office floorspace of 40,000m^2 of office floorspace (at 20m^2 gross building area per employee).

The subject site is also considered to have potential for the development of localised office space, with professional service providers such as accountants, lawyers, real estate agents and so on, considered prospective occupants of office floorspace.

Assessment Against DFUSP

The DFUSP proposes 34,000m^2 of office space across one or several office buildings. Nominally, this would provide employment of around 1,700 persons depending on the assumptions applied.

This represents a significant provision of office floorspace, but is less significant when compared against the theoretical supportable floorspace requirement established in Table 3.5.

For perspective, the 'Schneider Electric' branded building in Goodman's Ferntree Business Park (Ferntree Gully Road) provides in the order of 9,000m^2 of office floorspace over five levels (see Image 3.1).

In terms of the prospects for office development on the subject site, another factor that must be considered is the availability of competing underutilised sites elsewhere in the Monash NEIC, including sites in established office locations. This includes a substantial number of large sites in prominent locations along, for example, Ferntree Gully Road and Wellington Road where the underlying value of land is likely – when market demand is identified - to trigger the redevelopment of remnant industrial sites for office park development.

Given expected difficulties in attracting major corporate office tenants, the prospective tenant mix can be described as follows:

- Major or significant tenants allied to major institutional uses such as Healthcare or Education, as well as regional company headquarters or back-office floorspace requirements (eg. More than 1,500m^2 of floorspace).
- Small to medium sized uses allied to Healthcare or Education (eg tenants, such as medical consulting rooms or a medical centre, requiring between 100m^2 to 1,500m^2).
- Small to medium-sized enterprises requiring non-corporate level office space (eg. 50m^2 to 400m^2).

Image 3.1 Schneider Electric Building, Ferntree Business Park

Source: Google Maps

In considering the potential for uses of this nature it is important to consider the likely approach of the development sector to the subject site.

Typical office accommodation targeting small business is undertaken at a scale of 3,000m^2 to 4,000m^2, with a development footprint of between 1,000m^2 and 1,300m^2 over 3 to 4 levels. This represents the standard configuration employed in developments such as University Hill or in Bay Road, Cheltenham. A development of this scale enables a developer to undertake a development at a reasonable scale without excessive project risk. This is critical as office development pitched at smaller scale tenants are typically undertaken as a speculative development, as significant pre-commitments on office space in such developments are unlikely.

In contrast, buildings of, say, 10,000m^2 or more in an unestablished office location are considered highly unlikely without major tenant pre-commitments. In this regard, office accommodation of the scale contemplated in the DFUSP will depend – to a very significant extent – on the potential to leverage the site's proximate location to the Monash Medical Centre or Monash University by way of a significant pre-commitment to office accommodation before a significant development will occur.

Conclusion – Office Development

The Situation Analysis established that the subject site is unlikely to prove an attractive location for major corporate tenants.

If replicated in the future, recent growth in the Whitecollar Workforce indicates supportable office floorspace of more than 400,000m^2 in the Monash NEIC between 2016 and 2031. It is noted however that this represents a theoretical approach to establishing future office floorspace needs (including education and health-related floorspace).

The current state of the office market in the Monash NEIC suggests a less optimistic figure may be warranted.

Having regard for these situations, the amount of office floorspace contemplated in the DFUSP is significant, but not unrealistic. It is considered a major user allied to a major institutional use such as Healthcare or Education is likely to be required to underpin the viability of the proposed office allocation. Failure to secure a major anchor tenant is likely to require a more flexible approach to delivery of office space on the subject site with a number of smaller buildings able to be staged over a period of time providing a more viable development outcome.

4 CONCLUSION AND RECOMMENDATIONS

A Draft Future Urban Structure Plan (DFUSP) has been prepared for the so-called PMP site in Clayton that considers a transitioning of the precinct's major use - the PMP facility itself – from an industrial use to one which accommodates residential and office uses.

The DFUSP contemplates 900 dwellings and up to 34,000m^2 of commercial office space.

This report evaluates the direction contemplated in the DFUSP and provides the following conclusions and recommendations:

Residential Development

- For the reasons set out in the Situation Analysis and reiterated in this report, the subject site is well suited to residential development.
- Projected population and dwelling growth at a regional and municipal level indicates ongoing strong demand for dwelling development. The dwelling yield contemplated in the DFUSP would satisfy less than 3% of the total dwelling requirement across the Cities of Monash, Greater Dandenong and Kingston over a 15-year period.
- Demographic trends indicate strong underlying demand for housing, including the need for dwellings of medium and higher density type.

Having regard for these factors, it is considered the residential outcome contemplated in the DFUSP is appropriate.

Commercial Office Development

- For the reasons set out in the Situation Analysis and reiterated in this report, the subject site is considered to be an unlikely location for major corporate tenants, although some interest may be generated through a market testing process.
- Over the past five years, place of work data indicates there has been an ongoing decline in the manufacturing and wholesale trade sectors in the City of Monash.
- This decline has been positively offset by significant growth in the services sector, particularly in the areas of Healthcare and Social Assistance, and Education and Training. As such it is considered probable there will an ongoing requirement for healthcare and education-related office space with the subject site well-located and well-suited for such uses.
- Prospective office uses considered most likely to establish within the area contemplated for office use in the DFUSP include:
    - Major or significant tenants allied to major institutional uses such as Healthcare or Education.
    - Small to medium sized uses allied to Healthcare or Education.

  - Small to medium-sized enterprises requiring non-corporate level office space (e.g. 50m^2 to 400m^2).

- Approaches to development require major tenant pre-commitments for office developments over a certain scale. For smaller office-based developments aimed at smaller business, speculative developments occur but are more limited in scale. Moreover, ongoing development should be staged to ensure full tenancy of completed buildings before proceeding to the next building.

Having regard for these factors, the following recommendations are made:

- The scale of office floorspace contemplated in the DFUSP represents a significant commercial investment on the subject site. If a major tenant can be secured however, the office floorspace identified in the DFUSP may be achieved or exceeded. If so, the proposed location within the commercial or mixed use zone is considered appropriate.

- If a major tenant is not identified, the location should prove attractive to smaller and medium sized commercial tenants. The proposed location identified in the DFUSP for commercial uses would remain appropriate, however, would need to be accommodated over a staged period.