



ESSENTIAL ECONOMICS

Hobsons Bay Planning Scheme Amendment C88: Precinct 15, Altona North

Expert Witness Statement

of

John C Henshall, B Com (Econ), Grad Dip TRP, M Soc Sci (Plg & Environ)

Founding Partner, Essential Economics Pty Ltd

Prepared

for

Victorian Planning Authority

13 November 2017

Contact details

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Contents

1 INTRODUCTION	1
2 SUMMARY OF REPORT TITLED “ALTONA NORTH PRECINCT: COMMERCIAL OFFICE FLOORSPACE PROVISION”	3
3 COMMENTS ON SUBMISSIONS.....	10
4 CONCLUSIONS	12

Attachment A: John C Henshall CV

Attachment B: *“Altona North Precinct: Commercial Office Floorspace Provision”*, Essential Economics Pty Ltd, September 2017

1 INTRODUCTION

Professional Details

- 1.1 My name is John Charles Henshall and I am Founding Partner and Senior Economist at Essential Economics Pty Ltd, located at 96 Pelham Street, Carlton, Victoria.
- 1.2 I hold the degree of Bachelor of Commerce (Economics) and the Post-Graduate Diploma of Town & Regional Planning, both from the University of Melbourne, and Master of Social Science (Planning & Environment) from RMIT University. I am a Life Fellow of the Planning Institute of Australia. A copy of my CV is at Attachment A.

Area of Expertise

- 1.3 My areas of expertise are in urban and regional economics, and strategic land use planning and development. I have worked in this field since 1974. An area of particular professional activity is my involvement in preparing economic impact assessments for a wide range of projects, including activity centre planning and development; industrial, commercial, residential and mixed use developments; tourism planning and development; and need assessments for community facilities. I also have a strong involvement in undertaking demand and supply assessments for key sectors, including activity centres and retail developments, as well as industrial, commercial, residential and tourism assessments. I work with both private and public sector clients, and I appear regularly as expert witness at Planning Panels and at VCAT.

Instructions

- 1.4 I received instructions on this matter from the Victorian Planning Authority (VPA). My instructions are as follows:
 - (a) To prepare a report on the potential for commercial office floorspace provision for a site in Blackshaws Road, Altona North known as Precinct 15. The Altona North Comprehensive Development Plan (CDP), developed by the VPA in conjunction with Hobsons Bay Council, controls future development of the precinct.
 - (b) To appear as an expert witness at this Panel Hearing.

Preparation

- 1.5 In preparing this statement I have:
 - (a) Visited the subject site and also existing activity centres and business parks in the surrounding area;

- (b) Reviewed relevant policy documents and reports, including the Altona North CDP, the City of Hobsons Bay Economic Development Strategy (2015), and the Hobsons Bay Industrial Land Management Strategy (2008);
- (c) Undertaken interviews with a selection of real estate agents active in the Hobsons Bay office market; and
- (d) Prepared a report which is provided at Attachment B to this Statement.

This Statement

1.6 This Statement comprises the following sections:

- Section 2: A summary of my report titled "*Altona North Precinct: Commercial Office Floorspace Provision*" (September 2017)
- Section 3: Comments on Submissions relating to proposed office floorspace provision
- Section 4: Conclusions.

2 SUMMARY OF REPORT TITLED “ALTONA NORTH PRECINCT: COMMERCIAL OFFICE FLOORSPACE PROVISION”

In this section of my Statement I provide a summary of key points from my report titled “*Altona North Precinct: Commercial Office Floorspace Provision*” (September 2017).

Location of Subject Site

- 2.1 The Altona North Comprehensive Development Plan (CDP), developed by the VPA in conjunction with Hobsons Bay Council, controls future development of the precinct. This includes a number of sub-precincts nominated for a town centre, a business area, residential areas, and a community centre. Residential uses cover some 46ha and this area is planned to comprise 1,850 apartments and 1,100 town houses. The subject site, which is the focus for the report, comprises 5ha of gross area identified for new commercial use; this land is located in the southern part of the overall precinct, with frontage to Blackshaws Road. Figure 2.1 on the following page shows the location of the subject site.

Commercial Components in the Proposed Development

- 2.2 Commercial components in the CDP comprise several existing uses (medical centre, bakery, restaurant, etc), a new neighbourhood activity centre (5,500m² of retail floorspace), a new commercial/office area, and a mixed-use area. Commercial/office activity will occupy an area of 1.73ha and is planned to accommodate office-based business and related office employment. This is an important component in the CDP as new employment opportunities are required in the area, noting that the precinct will also accommodate around 6,300 new residents, a share of whom will very likely be seeking local employment opportunities.

Existing Activity Centres

- 2.3 A number of activity centres operate in the surrounding areas of North Altona. However, the office/commercial uses in these centres are limited to those that typically locate in activity centres, including real estate agents, legal offices, accountants, health care and the like.
- 2.4 A significant office/warehouse complex is located at Millers Junction Business Park (comprising 74 office/warehouse units), and this is planned for extension (with a further 71 office/warehouse units). While popular, this particular development does not meet the requirements of those parties interested in a conventional office development that is not attached to a warehouse/workshop.

Figure 2.1: Altona North CDP Precinct, Subject Site and Surrounding Activity Centres



Source: Essential Economics

Policy

- 2.5 Findings in Council’s Economic Development Strategy (2015) highlighted a lack of high-profile and centrally-located office space, and that a large number of residents leave the municipality each day for work.
- 2.6 Objectives outlined in the EDS (p13) include the following:
- To attract domestic and global business to Hobsons Bay and Melbourne’s west, to increase business diversity, investment and employment opportunities; and
 - To establish Hobsons Bay as an attractive location for business, where processes are streamlined and business owners and Council work collaboratively to achieve outcomes.
- 2.7 The EDS focuses on the need to ensure Hobsons Bay develops as a centre for investment and business development by building on the municipality’s profile as an office location, upgrading the employment skills of the resident labour force, and ensuring job opportunities are available locally for those seeking employment.
- 2.8 Planned development of the subject site would be expected to make a substantial contribution to the development of office/commercial activities and related

employment in Altona North and the wider municipality. This positive outcome is based on the observation that the only existing focus for new commercial/office development is the Millers Junction Business Park, also located in Altona North, and its planned expansion. Apart from Millers Junction, few other opportunities for significant expansion in office/commercial activities exist in Altona North and the wider Hobsons Bay municipality.

Growth in White Collar Occupations

- 2.9 Significant growth is occurring in white collar occupations among Hobsons Bay residents. In the inter-censal period 2006 to 2011, white collar employment among Hobsons Bay residents increased by 2.5% per year, and in the inter-censal period 2011 to 2016 the increase was +2.2%. In contrast, the total number of employed residents increased by only +0.8% per year 2006 to 2011 and by +1.2% per year 2011 to 2016. Furthermore, in 2016 53.5% of Hobsons Bay residents were employed in white collar occupations (the proportion was 51.1% in 2011), and higher than Greater Melbourne's share of 52.1% in 2016.
- 2.10 In broad terms, the anticipated growth in 'white collar' office-based employment among residents of Hobsons Bay would require an estimated 105,000m² or so of new office floorspace in the period 2016 to 2031. This broad estimate of floorspace is based on forecast growth of +5,240 residents in white collar occupations to 2031 and an industry average of 20m² per office job (as shown in Table 2.2 of my report).
- 2.11 The estimated 105,000m² in office floorspace requirements by 2031 is provided as a broad guide to overall office floorspace demand generated by those anticipated new entrants into the Hobsons Bay resident labour force by 2031 who are likely to be in white collar occupations. This total floorspace estimate is on the conservatively low side, particularly as the proportion and actual number of the employed labour force in white collar employment is increasing over time.
- 2.12 The estimated 105,000m² in new office floorspace requirements is a global figure and would apply irrespective of where the actual office jobs are located. The Hobsons Bay municipality therefore has the following opportunities:
- (a) an opportunity to capture a share of this office floorspace potential associated with forecast growth in the number of the municipality's residents in white collar occupations; and
 - (b) an opportunity to provide new office floorspace that can accommodate a share of the municipality's white collar labour force who presently work outside the municipality but who would choose to work locally if the opportunity arises, as explained below.
- 2.13 Typically, many new entrants to the Hobsons Bay resident labour force would be expected to seek employment opportunities located close to home and also in occupations that suit their interests, experience and qualifications. The preference for working close to home is highlighted by less travel time to/from work, lower personal

transport costs, more 'home' time for family and leisure, and convenient access to local facilities and services as and when required, such as shops and child care. However, at present the majority of all employed residents travel out of Hobsons Bay to work.

- 2.14 The 'gentrification' process is a factor explaining the trend towards further increases in white collar occupations and a reduction in the share of blue collar occupations among employed residents. This trend to 'gentrification' is reflected in the socio-economic profile of the municipality and growth in median house prices. For example, in Altona North the median house price was \$723,500 and this price increased by 9.6% per annum over the period 2006 to 2016; in Williamstown the median price was \$1,250,000 with an average increase of 7.5% per annum. In contrast, for Melbourne as a whole, the median house price was lower at \$635,000 in 2016 and the average increase between 2006 and 2016 was lower at 5.8% per annum.
- 2.15 To date, relatively few office-based employers have established in Hobsons Bay (compared with similar municipalities), and this is reflected in the following features:
- the high proportion of employed residents who work outside Hobsons Bay; and
 - the small number of office developments and sales recorded in Hobsons Bay compared with other municipalities which are located a similar distance from the Melbourne CBD.
- 2.16 In summary, opportunities exist to retain more white-collar resident workers in Hobsons Bay by providing commercial office space which generates new, locally-provided professional employment workspace.

Recent/Potential New Office Developments in Hobsons Bay

- 2.17 A new development proposal for Altona North involves the construction of a further 2.2ha for an 'office and warehouse mews' at Millers Junction, comprising 74 units. This form of development is popular at the existing Millers Junction development on the south side of Cabot Drive. However, market comment indicates that this type of development does not meet the requirements that interested parties may have who are seeking conventional office premises and not attached to a warehouse, workshop, or storage area.
- 2.18 The Hobsons Bay Business Centre is a recent development comprising some 30 offices located in Railway Street, Altona. Currently, several small offices are available for rent and they are typically under 50m² in floorspace.
- 2.19 I understand from Council that no significant office developments are presently under-construction in the municipality, although a number of small individual sites exist in centres such as Newport, Altona and Williamstown.
- 2.20 Despite growth in residents' office-based employment (as reflected in occupational data), Hobsons Bay experiences relatively lower levels of office development

compared with other municipalities located a similar distance from Melbourne's CBD. This is reflected in fewer sales of office property and a low level of planning permits for commercial/office development (averaging just an estimated 840m² per year in floorspace terms) in the municipality.

Real Estate Agents' Views on the Office Market

2.21 I contacted a number of real estate agents active in the office market Hobsons Bay and surrounding areas, and the following features were identified:

- Market demand for office floorspace exists in Hobsons Bay, but supply is limited.
- Developments such as Millers Junction are popular, but they essentially provide warehouse/office combinations, with the office component typically comprising a small share of total floorspace.
- The opportunity to develop a business park focused on offices (and not linked with warehouses, as is the case with Millers Junction) would be popular among those businesses seeking office space in this part of the inner western region.
- Those seeking offices to lease or purchase in the general area typically represent a wide cross-section of small businesses, ranging from financial advisers and architects, to real estate agencies and health care.
- Attributes that businesses are seeking in an office location (apart from affordability) vary according to business type, but typically include local amenity, proximity to local services (café, coffee, retail) and freeway and main road access. In some cases, main road exposure is important where a business depends on attracting customers or clients by having a prominent location. However, those service providers who either visit their clients on-site or where their clients visit the service provider's office do not depend on main road exposure.
- Access to public transport is important for many office-based businesses seeking locations in the general area, as well as convenient road access for those using private motor vehicles on the work-related journey. In relation to public transport, bus services operate along Blackshaws Road and a link is available to Newport railway station.
- Those businesses seeking an office location in areas such as Altona North also look as far as Maribyrnong, including Footscray, Sunshine and Highpoint, for office space to buy or lease.
- A number of enquiries received by real estate agents are from businesses looking for an office location in Hobsons Bay as their existing premises in

places like Fishermans Bend are undergoing redevelopment for more intensive (high-rise) activities.

- 2.22 In my view, the potential demand for office premises in Altona North and in the wider municipality is strong when considering the local experience of real estate agents active in this market, and when viewing web sites which indicate relatively few office properties for lease or sale in Hobsons Bay compared with other localities in metropolitan Melbourne, especially in the inner urban localities. A reason why only a small proportion of residents in white collar occupations actually work in Hobsons Bay can be explained by the lack of dedicated office developments in the municipality, as noted by real estate agents familiar with the Hobsons Bay property market.

Potential Demand for Office Development at the Subject Site

- 2.23 Office demand is likely to be generated by two broad components of the market, as follows:
- businesses that seek affordable office accommodation in proximity to the CBD and inner Melbourne and in a location that is well-served by public transport and by proximity to freeway and main road infrastructure; and
 - local and other businesses seeking a location in Hobsons Bay where access to white collar employees can be facilitated, and where access to surrounding customers/clients is facilitated.
- 2.24 For the period 2021 to 2031, which is assumed to be the development period for the subject site, the number of Hobsons Bay residents employed in white collar occupations is forecast to increase from 24,530 persons in 2021 to 26,860 persons in 2031 (refer Table 2.2 in the attached report). This forecast is on the conservatively low side in view of the reality that white collar occupations are increasing in number at the expense of blue collar occupations (and this is a universal trend) at the present time. These figures assume that 45% of the population are in employment and 55% of these employed residents are in professional, managerial and clerical/admin positions (ie, white collar positions).
- 2.25 While the majority of white collar occupations will be located in conventional 'office' developments (and ranging from small to large building footprints), a share will also continue to be associated with white collar jobs in manufacturing, hospitals, education and the like. For the subject site, the proposed development is expected to accommodate conventional 'office' activities. These offices are likely to range from small premises (with up to 5 employees) to medium-sized premises (up to 20 employees) and large premises (over 20 employees).
- 2.26 As earlier noted, the 33,000m² of office floorspace proposed for the subject site would be expected to accommodate some 1,650 office-based jobs. Assuming the development of the subject site takes place over a 10-year period from 2021, staged development would see an average of 3,300m² of office floorspace and an average of 165 office jobs accommodated each year on the subject site. If a 15-year development

period is involved, the annual increment in new office jobs would average around 110 jobs, covering around 2,200m² of office floorspace per year.

- 2.27 As a measure of the overall scale of potential office development at the subject site, the full complement of 1,320 office jobs at the end of year 10 (in 2031) would be equivalent to just 6% of all Hobsons Bay residents employed in white collar occupations (noting also that a share of the office jobs at the subject site would be occupied by those in the labour force from other municipalities). These calculations are shown in Table 4.1 in the report.

Conclusion

- 2.28 Office development proposed for the subject site would be likely to be fully taken-up over the 10-year development period in view of:
- the existing shortage in supply of office floorspace in Hobsons Bay, as evidenced in data showing relatively few office planning permits and office property sales compared with other inner-urban Councils, and supporting commentary from real estate agents active in this general region;
 - the existing and increasingly high share of employed residents who are employed in white collar occupations, many of whom would seek locally-based employment opportunities where available, and noting that to date the vast majority of these employed persons must seek employment outside the municipality where enterprises (private and public) are located; and
 - the underlying growth in white collar employment, especially as the national and local economies (and universally) move to higher-skilled occupations that are typically located in an office environment rather than in a workshop or factory (and which has been the focus for place of employment in Hobsons Bay for generations).

3 COMMENTS ON SUBMISSIONS

Two submissions are of relevance to the office potential of the subject site, and I comment on these below.

Planning & Property Partners on behalf of TIC Group

- 3.1 The submission (dated 1 September 2017) states that the *“alleged market demand for commercial development in the Business Area lacks justification and depth of analysis”*, and that *“There are limited attributes to warrant employment and office uses having regard to nearby services including public transport”* (Paragraph 1). No supporting information is provided for these claims.
- 3.2 The claim is also made that Precinct 15 *“should not undermine existing nearby commercial centres including local and major activity centres”* (Paragraph 1). In my view, the commercial/office development would not undermine other centres, and for the reasons presented in my report.
- 3.3 The claim is made that the development *“should not and cannot be characterised as a transport-oriented development site, with the Precinct only having access to bus services which run along Blackshaws Road”* (Paragraph 4). In my view, the bus services will be an important component of public transport and I would expect that these services would be augmented if required.
- 3.4 It is argued that *“there are other more suitably placed activity centres within Hobsons Bay which are more likely to provide office accommodation of the sort suggested, and with significantly better proximity to fixed rail and other public transport”* (Paragraph 5). These alternative centres are not mentioned. In any event, in my view Precinct 15 is a suitable location for a business park-type of development in terms of location, land area and access. Moreover, business parks are typically not located in activity centres, but have their own identity as a place of commercial business.

Norton Rose Fulbright on behalf of Precinct 15 Landowner’s Consortium

- 3.5 This submission (dated 1 September 2017) states that *“The distribution of uses and built form outcomes across the precinct requires further consideration, particularly in terms of the intended Local Town Centre and disputed Business Area”* (Paragraph 2.2). No description of, or underlying reason for, the *“disputed”* Business Area is provided.
- 3.6 The submission states that *“the 33,000 square metre Business Area ... lacks strategic justification, and is unrealistic in this location”* (Paragraph 4.1). No detail is provided to substantiate this claim. In my view, the report I prepared (as per Attachment B to my Statement) provides justification for the quantum and location of proposed commercial floorspace.
- 3.7 The submission states that *“alleged market demand for commercial development lacks justification and depth of analysis. There are limited attributes to warrant employment and office uses having regard to nearby services including public transport”* (Paragraph

4.3). In my view, the report I prepared provides justification for the proposed commercial floorspace. My report also highlights the increase in the number of residents in white collar occupations and the existing lack of existing commercial/office locations to accommodate current and future demand.

- 3.8 The submission states that *“Precinct 15 should not undermine existing nearby commercial activity and there are more suitably placed activity centres (including 3 Major Activity Centres) within Hobsons Bay to provide higher-density office accommodation in significantly better proximity to fixed rail and other public transport”* (Paragraph 4.4). In my view, commercial activities at Precinct 15 would not undermine existing nearby commercial activity, and in my view the Precinct 15 is suitably located as an important Business Park with excellent road access and also access to bus services that can be augmented as demand requires.

4 CONCLUSIONS

- 4.1 Council's economic development policy recognises that Hobsons Bay has a low profile as an office location and has a lack of centrally-located office space. Furthermore, Council recognises that large numbers of residents travel out of the municipality each day for work in other places as employment opportunities are not readily available at the local level. Recognising these circumstances, Council has a policy objective to establish Hobsons Bay as a suitable location for businesses that will attract investment and jobs.
- 4.2 Although Altona North has a number of activity centres, the office/commercial uses are limited to those that typically locate in activity centres. These include 'shop front' offices such as real estate agents, law firms, accountants, insurance agents, health care and the like.
- 4.3 In broad terms, the anticipated growth in 'white collar' office-based employment among residents of Hobsons Bay would require an estimated 105,000m² of new office floorspace by 2031, irrespective of location (ie, a share of the forecast office floorspace requirement could be located in Hobsons Bay and in the Melbourne CBD and other locations beyond the municipality).
- 4.4 As Hobsons Bay continues to become a popular residential location, and as it continues to undergo gentrification, it is expected that office-based enterprises will seek appropriate locations in the municipality, attracted by its:
- proximity to the Melbourne CBD;
 - excellent access by freeway and main roads;
 - access to public transport (and where services can be expanded according to demand); and
 - affordable property costs compared with other, more 'central-city' locations.
- 4.5 Submissions in objection to the proposed commercial/office floorspace component of Precinct 15 are not substantiated. In my view, the proposed commercial development would not have an adverse impact on existing activity centres; these centres have well-established and diverse roles (in retail, commerce, community facilities, etc) that have developed over many years.

Declaration

I have made all the inquiries that I believe are desirable and appropriate and no matters of significance that I regard as relevant have to my knowledge been withheld.

A handwritten signature in black ink that reads "John Henshall". The signature is written in a cursive style with a large initial 'J'.

John C Henshall
Founding Director
Essential Economics Pty Ltd

13 November 2017

ATTACHMENT A:

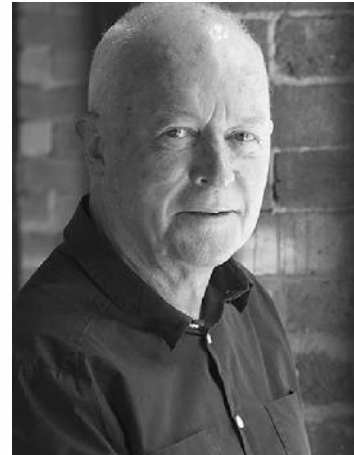
John C Henshall CV



John Henshall

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Founding Partner



John, the founding partner of Essential Economics Pty Ltd, is an Urban and Regional Economist and Town Planner with forty years of consulting experience in urban and regional economics, and in land use planning and development, both in Australia and abroad.

BACKGROUND

John has a Bachelor of Commerce (Economics) degree, a Post-Graduate Diploma of Town and Regional Planning, and a Master of Social Science (Planning & Environment). He is a Life Fellow of the Planning Institute of Australia and a Fellow of the Victorian Planning and Environmental Law Association, and is a past Board member of each organisation.

John has worked as an economist/planner with organisations in industry, government and consulting. His experience covers projects in urban and regional economic development and land use planning; industry sector analysis; retail, commercial and

industrial location and development; tourism strategies and projects; and appearing as expert witness at planning tribunals and panels.

John also has considerable experience in economic and development planning projects in Asia, including housing, sites and services, urban and village improvements, poverty alleviation programs, and project review and evaluation. His overseas work has involved projects funded by AusAID, the World Bank, UNCHS/UNDP and the Asian Development Bank, as well as projects for municipal and regional development authorities and private sector clients. John has worked abroad in Indonesia, Malaysia, Vietnam, China, The Philippines, Pakistan and Bangladesh, and in the UK, the USA and New Zealand.

ACADEMIC QUALIFICATIONS

*Bachelor of Commerce (Economics),
University of Melbourne, 1968*

*Post-Graduate Diploma of Town &
Regional Planning, University of
Melbourne, 1976*

*Master of Social Science (Planning &
Environment), RMIT University, 2013*



PRESENT POSITION

Founding Director, Essential Economics Pty Ltd, since 1997

PAST POSITIONS

Partner, Henshall Hansen Associates, 1986-1997

Principal, John Henshall & Associates, 1981-1986

Regional Economist, Ministry of Public Works, Jakarta, 1979-1980

Economist/Planner, Meldrum Burrows & Partners, Architects/Planners, 1975-1979

Economist and Planning Officer, Melbourne and Metropolitan Board of Works, 1974-1975

Economist, KA Read Pty Ltd, Planners and Surveyors, 1973-1974

Economic and Market Researcher, Research Services Limited, London, 1972-1973

Economic and Market Researcher, Alcoa of Australia, 1969-1972

RELEVANT EXPERIENCE

Strategic Planning for Shopping Centres and Activity Centres

Central Geelong: Malop to Myers Street Revitalisation – Economics Assessment for Geelong Advancement Fund, for City of Greater Geelong

Little Saigon Redevelopment / Economics Assessment in Footscray CBD, with Group GSA for Maribyrnong City Council

Retail Assessment Criteria for Reformed Commercial Zones, for Department of Transport, Planning and Local Government

Manningham Problem Gambling Study, for City of Manningham with Symplan and Planisphere

Bayside Small Activity Centres Assessment, for City of Bayside

Brimbank Retail Economic Assessment for Activity Centres, for City of Brimbank

Dandenong CBD Revitalisation Strategy, for City of Greater Dandenong

Greater Geelong Retail Strategy, for City of Greater Geelong

Economic Value of Main Streets, for Main Street Australia Ltd

Queen Victoria Market Development Outlook, for the City of Melbourne

Wyndham Activity Centres Strategy, for City of Wyndham

Retail Assessment for Arden-Macaulay Structure Plan, for City of Melbourne

Retail Potential for Melbourne's CBD and Southbank to 2030, for City of Melbourne

Metropolitan Melbourne and Regional Victoria Retail Floorspace Projections to 2030, for DSE

Downtown Clarksdale - Action Plan for Revitalisation, for Clarksdale/Coahoma, Mississippi USA

Advisory Role to Victorian State Government on Retailing and Activity Centres, for Department of Planning and Community Development

Potential Impact of the Introduction of Parking Meters on Yarraville Village, for Yarraville Community Group

Costco (Docklands) Economic Impact Assessment, for Costco

Urban & Regional Economic Development

Avalon Corridor Strategy, with Hansen Partnership, for City of Wyndham and City of Greater Geelong (current)

Alexandrina Economic Development Strategy, for Alexandrina Council

Assessment of Applications for Interface Growth Funds 2015-2016, for Socom and Interface Councils



Latrobe Housing, Rural, Industrial and Employment Strategies, for Latrobe City Council with Meinhardt, Capire and DLA

Latrobe Economic Development Strategy and Engagement, with Capire for Latrobe City Council

Avalon Airport Development Options, for Avalon Airport

Transforming Geelong: Economic Status Report 2013, for Committee for Geelong, City of Greater Geelong, Villawood Properties

East-West Link Assessment Committee Hearing- Witness Statement, for City of Melbourne and for City of Moonee Valley (separately)

Gunnedah Second Bridge Over Rail - Business Impact Assessment, for Department of Main Roads with KBR

Hume Growth Area Economic/Employment Study, for Growth Areas Authority

Casey Growth Area Economic/Employment Study, for Growth Areas Authority

Greater Shepparton Economic Development Strategy, for City of Greater Shepparton

Regional Cities Population Analysis, for Regional Cities Victoria

Population Trends and Infrastructure in Ten Regional Cities, for Regional Cities Victoria

Preparation of Urban Economic Indicators, for VicUrban

Benchmarking Regional Business Costs, for Regional Development Victoria

Urban Design / Architecture/Heritage – Economic Assessments

Old Geelong Gaol – Potential Uses for Heritage Building, for Rotary Club of Geelong

Hotel Windsor Heritage Building Economic Implications of Re-Development and Refurbishment, for Halim Group

Kinnears Ropeworks Proposed Mixed Use Development, for private client

Kensington Wool Stores Mixed Use Development, for EG Funds Management

Yorkshire Brewery Mixed Use Development Review, for Heritage Victoria

GTV9 Site Economic Value of Heritage, for private client

Tourism Projects and Strategies

St Kilda Triangle Site – Quantitative and Qualitative Research for Potential Arts Facility, for City of Port Phillip

House of World Culture – Assessment of Retail Opportunities for Princes Pier, with Village Well for Multicultural Arts Victoria

Great Ocean Road Adventure Park VCAT Hearing, for Great Ocean Road Pty Ltd

Holiday Park Market Trends and Eco-Park – Market Assessment, for BCR Asset Management

Country Music Performing Arts Centre, Boyup Brook, WA, with Scenic Spectrums, for Boyup Brook Country Music Club

The Falls Music Festivals, Lorne and Marion Bay, Economic Impact Assessment, for Ashlorien Enterprises

Grampians Peaks Trail Master Plan, with Site Office, for Parks Victoria

Market Feasibility Assessment for The Stevens Hotel, Clarksdale, Mississippi, for the Stevens Hotel Group, LLC

Economic Contribution of RACV Resort to Inverloch Township, for RACV

Falls Creek Masterplan, for Falls Creek Management Committee



Phillip Island Resort Project, for Linfox Property Group

Willow Creek Winery and Accommodation Assessment, for private client

Residential Market Assessments

Residential Potential for Waverley Golf Course and Keysborough Golf Course, for Intrapac Properties Pty Ltd

Bendigo Residential Land Supply Peer Review, for City of Greater Bendigo

Woodend Residential Potential for Macedon Ranges, for Villawood Properties

Batesford South, Coronet Bay, Dalyston, San Remo, Torquay, Walkerville, Wantirna, Wonthaggi Residential Land Assessments, for various private clients

Mixed-Use Developments

Cobram Former Saleyards Potential Uses Assessment, for Moira Shire

Proposed Rezoning of Bradmill Site - Industrial Land to Mixed Use, for City of Maribyrnong

Brunswick Road Mixed-Use Development, for Caydon

Industrial Land Studies

Avoca Industrial Land Assessment, for Pyrenees Shire

Moreland Industrial Land Strategy Review, for Victoria Police & Department of Treasury & Finance, with Currie & Brown

Industrial Land Review, for City of Greater Shepparton

Industrial Land Outlook for City of Monash, for private client

Industrial Land Assessment, for MAB Corporation

Overseas (only projects since 2000)

Market Feasibility Assessment for The Stevens Hotel, Clarksdale, for the Stevens Hotel Group, LLC, Clarksdale, Mississippi, USA

Downtown Clarksdale - Action Plan for Revitalisation, for Clarksdale /Coahoma, Mississippi USA

Trip Adviser - La Trobe University Study Tour to the Mississippi Delta and Memphis June 2016, for La Trobe University

Auckland CBD Retail Strategy Plan, for City of Auckland

Danang Priority Infrastructure Investment Project – Advisory Report on the Danang Socio-Economic Development Plan 2006-2010 – Vietnam, for The World Bank

Miri Regional Strategic Plan, Sarawak, with GHD Pty Ltd and Konsortium Malaysia, for Sarawak State Planning Unit

Bintulu Urban and Regional Strategic Plan, Sarawak, with GHD Perunding Sdn Bhd and Jurutera Perunding Wahba Sdn Bhd, for Bintulu Development Authority

Study of Cumulative Environmental Impact - Bali Urban Infrastructure Project, with Egis Consulting, for the World Bank

Quang Ngai Rural Infrastructure & Services Project Feasibility Study, Vietnam, with Pacific Architecture (Assai), for AusAID

Sustainable City Services in Urban China – Beijing and Qingdao, for SCORES as part of Australia-China Capacity Building Program / ACIL

Other

VCAT and Planning Panels Victoria - Role as Expert Witness on behalf of private and public sector clients

Member, Priority Development Panel, State Government of Victoria (2009 - 2010)

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ATTACHMENT B:

**“Altona North Precinct: Commercial Office Floorspace
Provision”, Essential Economics, September 2017**



ESSENTIAL ECONOMICS

Altona North Precinct

Commercial Office Floorspace Provision

Prepared for

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By

Essential Economics Pty Ltd

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Contents

Introduction	1
Background.....	1
This Report	1
1 Local Context	2
1.1 Subject Site and Surrounding Precinct	2
1.2 Altona North Comprehensive Development Plan	4
1.3 Existing Activity Centres in Altona North	4
1.4 Millers Junction Business	5
1.5 Summary	6
2 Background to Hobsons Bay Office Market	7
2.1 Economic Development Policy Context	7
2.2 Population and Labour Force Growth in Hobsons Bay and Altona North	8
2.3 Opportunity to Capture More White Collar Jobs in Hobsons Bay	10
2.4 Trends in Office Development Permits and Property Sales in Hobsons Bay	12
2.5 Recent/Potential New Office Developments in Hobsons Bay	13
2.6 Implications for Proposed Development	13
3 Real Estate Agents' Viewpoints on Hobsons Bay Office Market	15
4 Potential For Office Development at Altona North Site	17
4.1 Potential Office Floorspace Supply and Jobs Supported at Subject Site	17
4.2 Potential Office Employment Demand	18
5 Employment Potential on Subject Site	22
6 Conclusion	23

INTRODUCTION

Background

The Victorian Planning Authority (VPA) commissioned Essential Economics Pty Ltd to prepare this report on the potential for commercial office floorspace in a development precinct in Altona North. The **precinct** (67ha) has traditionally supported industrial uses and a mix of other commercial uses. The precinct is situated between the West Gate Freeway to the north, Blackshaws Road to the south, New Street to the east, and Kyle Road to the west.

The Altona North Comprehensive Development Plan (CDP), developed by the VPA in conjunction with Hobsons Bay Council, controls future development of the **precinct**. This includes a number of sub-precincts nominated for a town centre, a business area, residential areas, and a community centre. Residential uses cover some 46ha and this area is planned to comprise 1,850 apartments and 1,100 town houses. The **subject site**, which is the focus for this report, comprises 5ha of gross area identified for new commercial use; this land is located in the southern part of the overall precinct, with frontage to Blackshaws Road.

The commercial components in the CDP comprise several existing uses (medical centre, bakery, restaurant, etc), a new neighbourhood activity centre (5,500m² of retail floorspace), a new commercial/office area, and a mixed-use area. Commercial/office activity will occupy an area of 1.73ha and is planned to accommodate office-based business and related office employment. This is an important component in the CDP as new employment opportunities are required in the area, noting that the precinct will also accommodate around 6,300 new residents, a share of whom will be seeking local employment opportunities.

This report provides the following assessments in regard to the Altona North CDP:

- A demand assessment for commercial office use in the Business Areas and Town Centre,
- An assessment of potential job yields for the town centre as a whole, and
- General advice about likely job types by industry classification.

This Report

Chapter 1: Local Context

Chapter 2: Hobsons Bay Office Market

Chapter 3: Real Estate Agents' Viewpoints

Chapter 4: Potential for Office Development

Chapter 5: Employment Potential on Subject Site

Chapter 6: Conclusion.

1 LOCAL CONTEXT

This Chapter provides an outline of the local context within which the **subject site** is located in Blackshaws Road, Altona North. A description is also provided of the overall **precinct** in which the subject site is located. Existing and planned developments in activity centres located in proximity to the subject site are identified and briefly described, having regard for the planned commercial development at the subject site.

1.1 Subject Site and Surrounding Precinct

Location

The subject site earmarked for redevelopment in Altona North is located in a wider precinct that contains 67ha of existing and former industrial and commercial uses.

The **precinct** boundaries are shown in Figure 1.1 and are generally described as follows:

- To the north: West Gate Freeway M1 the Brooklyn Electrical Terminal Station
- To the south: Blackshaws Road
- To the east: New Street
- To the west: Kyle Road.

The **subject site** which is the focus of this report also identified in Figure 1.1 and this area has frontage to Blackshaws Road. The subject site comprises an area of 5ha and is planned for new retail/commercial development and will also contain a component of medium-density residential development. A number of existing commercial uses will be retained on the site, all of which are accessed from Blackshaws Road.

Existing Uses in the Wider Precinct

The southern section of the precinct, accessed from Blackshaws Road, comprises a range of industrial and warehouse buildings, including Secon Freight Logistics, Western Fuels, OneSteel, and Tic Group. Other uses include Circle Health Millers Road, The Kidz Play Shak, Australia Post, Taco Bill Mexican Restaurant, and Victoria's Sweets Bakery.

Many of the allotments with frontage to Blackshaws Road are vacant, including an area of cleared land which is the former site of George Weston Foods. To the west, vacant allotments exist with frontage to Kyle Road, and to the east a similar pattern exists on land accessed from New Street.

Beyond the precinct, existing residential development dominates the streets located in the general area to the south, east and west.

Figure 1.1: Altona North CDP Precinct, Subject Site and Surrounding Activity Centres



Source: Essential Economics

Existing Use on the Subject Land

The subject site contains a number of existing uses which comprise a medical clinic, a restaurant, child care centre, post office and a bakery.

Planning

In 2017 the VPA, in conjunction with Hobsons Bay Council, prepared the **Altona North Comprehensive Development Plan (CDP)** which identifies a number of uses for the precinct. These include residential use for the majority of the precinct, and with a town centre and business area proposed for the subject site located with frontage to Blackshaws Road.

The overall precinct is referred to as Precinct 15 in the **Hobsons Bay Industrial Land Management Strategy** June 2008, and is one of nine precincts identified for urban renewal in the municipality.

Features of the VPA's CDP are outlined in the following Section.

1.2 Altona North Comprehensive Development Plan

The CDP proposes a number of uses for the localities within the overall precinct, as noted below.

Blackshaws Road

A Town Centre is proposed that will include a supermarket, shops, cafes and restaurants, with office and residential above, and with a flexible civic space and town square. This aspect of the overall development site is planned to integrate with existing commercial uses.

A Business Area is also proposed in the CDP and this will incorporate a mix of existing and new commercial activities, as well as new residential development. Typical building form will comprise four storeys plus one storey set back.

The balance of the Blackshaws Road frontage, east and west of the subject site, will comprise residential development, including a mix of townhouses and apartments. Typical building form will comprise three storeys plus one storey set back.

Kyle Road and New Street

These two streets form the western and eastern boundaries, respectively, of the overall precinct and they are planned for residential development, with a mix of townhouse or terrace-style houses. Typical building form will comprise two storeys plus one storey set back.

Land Located Central to the Precinct, Extending North from Blackshaws Road

The majority of land identified for redevelopment is located central to the overall precinct and extends to the northern boundary of the precinct. This area contains land to be developed for a mix of townhouses and apartments up to three storeys and with a further three storeys set back. A large, centrally-located area of open space is also included, as well as several smaller 'pocket parks'.

1.3 Existing Activity Centres in Altona North

Altona Gate Shopping Centre

Altona Gate Shopping Centre is a 3-level, mall-based sub-regional centre located at 124-134 Millers Road in Altona North, approximately 1.6km to the west of the subject site. The centre is anchored by a Kmart, a Coles and an ALDI, and has a wide range of small retail tenancies. The centre has total floorspace of 26,240m², including retail (24,150m²), office (106m²) and other tenancies (1,985m²).

Millers Road Strip

The Millers Road strip, just north of Altona Gate, forms part of the broader Altona North Activity Centre. The centre comprises 14 tenancies, including showroom and service businesses. The centre has a limited local shopping function and includes three take-away food

outlets, a restaurant, liquor store, and several retail services. Retail floorspace totals an estimated 2,150m².

Borrack Square

Borrack Square is located at the north-west intersection of Millers Road and McArthurs Road in Altona North, approximately 1.6km south-west of the subject site. The centre comprises a small Woolworths supermarket (1,800m²) and some 30 small tenancies (23 retailers and 7 office tenants) around an open, central car park. The office tenants include banks, accountants, and real estate agents. A hotel is also situated at Borrack Square.

The Circle

The Circle is located at Broadway and McIntosh Road in Altona North, approximately 700m south of the subject site. The centre comprises 18 retailers and 1 office tenant. The centre is typical of a small neighbourhood centre, with tenants that include a licensed IGA supermarket, two large fruit and vegetable shops, a pharmacy, a newsagent and a bakery.

Blackshaws Road

The strip comprising shops along Blackshaws Road is located approximately 700m west on Blackshaws Road. This small convenience centre comprises two take-away food stores, a butcher, a hairdresser, milk bar, laundrette, chemist, and a bakery.

Vernon Street

The strip comprising shops along Vernon Street is located approximately 1.3km east of the subject site. This small convenience centre comprises a three take-away food stores, a bottle shop, a pharmacy, a health clinic and a milk bar.

1.4 Millers Junction Business

The recently-completed Millers Junction Business is located at the intersection of Millers Road and Cabot Drive in Altona North. The Business Park is located at 330 Millers Road, 3km south-west of the subject site in Blackshaws Road, and forms part of a larger project known as Millers Junction Precinct. The Business Park has a total area of 2.5ha and comprises 71 office/warehouses and a café. Existing tenants include, for example, design companies, fitness organisations and printing services.

A new development proposal for this locality – described as Millers Junction Business 2 – involves a further 2.2ha for an ‘office and warehouse mews’ and will comprise 76 units.

This precinct also comprises Millers Junction Home which comprises floorspace of 16,885m² and includes Bunnings, Officeworks and JB Hi-Fi Home. A further proposal for this locality is Millers Junction Retail which is planned to include floorspace totalling 13,330m² anchored by a Woolworths supermarket and also including bulky goods retail.

Figure 1.2: Millers Junction Business Park



Source: <http://www.wilmacproperties.com.au>

1.5 Summary

The subject site is planned for mixed-use retail, commercial and residential development, and forms part of a larger precinct which was formerly in (mainly) industrial and commercial use and is identified as the Altona North Comprehensive Development Plan precinct.

Although a number of activity centres operate in the surrounding areas of North Altona, the office/commercial uses are limited to those that typically locate in activity centres (such as real estate agents, legal offices, accountants, health care and the like). However, a significant office/warehouse complex is located at Millers Junction Business Park (comprising 74 office/warehouse units), and this is planned for extension (with a further 71 office/warehouse units). While popular, this particular development does not meet the requirements of those parties interested in a conventional office development that is not attached to a warehouse/workshop.

2 BACKGROUND TO HOBSONS BAY OFFICE MARKET

This Chapter provides background information in regard to the office market in Hobsons Bay. Reference is made to Council's economic development policy, and consideration is given to forecast growth in population and labour force, including growth in white collar occupations held by local residents. Implications for the proposed office/commercial development at the subject site are highlighted.

2.1 Economic Development Policy Context

A number of challenges are outlined in the City of Hobsons Bay Economic Development Strategy (EDS, 2015, p12) in relation to the provision of office space and labour force skills and are summarised as:

- A lack of high profile and centrally located office space,
- The skills of resident population do not align with business needs, and
- A large number of residents leave the municipality for work each day.

The objectives outlined in the EDS (p13) include the following:

- To attract domestic and global business to Hobsons Bay and Melbourne's west, to increase business diversity, investment and employment opportunities; and
- To establish Hobsons Bay as an attractive location for business, where processes are streamlined and business owners and Council work collaboratively to achieve outcomes.

Clearly, the EDS focuses on the need to ensure Hobsons Bay develops as a centre for investment and business development by building on the municipality's profile as an office location, upgrading the employment skills of the resident labour force, and ensuring job opportunities are available locally for those seeking employment.

The planned development of the subject land in Blackshaws Road (and the residential development of the wider precinct in which the subject land is located) would be expected to make a substantial contribution to the development of office/commercial activities and related employment in Altona North and the wider municipality. This positive outcome is based on the observation that the only existing focus for new commercial/office development is the Millers Junction Business Park, also located in Altona North, and its planned expansion.

Apart from Millers Junction, few other opportunities for significant expansion in office/commercial activities exist in Altona North and the wider Hobsons Bay municipality.

2.2 Population and Labour Force Growth in Hobsons Bay and Altona North

Resident Population

In the 20 years to 2036, the resident population in the City of Hobsons Bay is forecast to increase from 94,230 persons to 113,130 persons, representing a net increase of +19,080 persons at an average annual growth rate of +0.9% pa.

Altona North is forecast to account for a substantial share (42%) of the municipality's population growth, with Altona North's population reaching almost 21,300 persons by 2036.

These forecasts are sourced from id.Consultants and are summarised in Table 2.1.

Table 2.1: Population Forecasts, City of Hobsons Bay and Altona North, 2016 to 2036

	2016	2021	2026	2031	2036	2016-2036
Population No.						
Hobsons Bay City	94,230	99,130	103,850	108,510	113,310	+19,080
Altona North	13,250	14,210	15,740	18,590	21,260	+8,010
Average Annual Growth (%)						
Hobsons Bay City	-	1.0%	0.9%	0.9%	0.9%	+0.9%
Altona North	-	1.4%	2.1%	3.4%	2.7%	+2.4%
Average Annual Growth (No.)						
Hobsons Bay City	-	980	940	930	960	+1,040
Altona North	-	190	310	570	530	+370

Source: id.Consultants. <http://forecast.id.com.au/hobsons-bay/population-summary?WebId=10>

Note: ABS indicates the municipality's population at 2016 Census was 93,390 persons

This forecast growth in resident numbers will be accompanied by an increase in the size of the resident labour force, as noted below.

Resident Labour Force and Occupation Type

In the 15-year period 2016 to 2031 the resident labour force in Hobsons Bay is broadly forecast to expand by +6,300 persons. This forecast is based on application of the Crude Labour Force Participation Rate (number of persons in the Labour Force expressed as a share of the number of persons in Resident Population) which is calculated at 44% for the 2011 Census (noting that this data for 2016 Census is not yet available). It is emphasised that the actual size of the resident labour force will vary over time as the age distribution of the resident labour force also varies.

At the 2011 Census, 51.1% of all of employed persons living in Hobsons Bay were employed in 'white collar' occupations (which include managers, professionals, and clerical/ administrative workers). At the 2006 Census the figure was marginally lower at 48.9%. In the inter-censal period 2006 to 2011, white collar employment among Hobsons Bay residents increased by 2.5% per year; in contrast, total employment increased by only 0.8% per year. Thus, significant

growth is occurring in white collar occupations among Hobsons Bay residents and this growth pattern is expected to be reinforced when the ABS 2016 Census data is released.

For the period 2016 to 2031 the net growth in the resident labour force employed in ‘white collar’ occupations is forecast to increase by some +3,540 persons, assuming 55% of the workforce is in white collar professional/clerical jobs. This calculation is shown in Table 2.2 below.

Typically, many new entrants to the Hobsons Bay resident labour force would be expected to seek employment opportunities located close to home and also in occupations that suit their interests, experience and qualifications. The preference for working close to home is highlighted by less travel time to/from work, lower personal transport costs, more ‘home’ time for family and leisure, and convenient access to local facilities and services as and when required, such as shops and child care. However, at present the majority of all employed residents travel out of Hobsons Bay to work, as later indicated.

Potential Office Floorspace to Accommodate Growth in Office Employment

In broad terms, the anticipated growth in ‘white collar’ office-based employment among residents of Hobsons Bay would require an estimated 105,000m² or so of new office floorspace in the period 2016 to 2031. This broad estimate of floorspace is based on forecast growth of +5,240 residents in white collar occupations to 2031 and an industry average of 20m² per office job. The calculations are summarised in Table 2.2.

Table 2.2: Forecast Growth in Office Floorspace Demand Associated with Growth in Hobsons Bay ‘White Collar’ Labour Force, 2016 to 2031

Location	2016	2021	2031	2016-2021	2021-2031	Total 2016-2031
Population (Table 2.1)	94,230	99,130	108,510	+4,900	+9,380	+14,280
Estimated Total Labour Force ⁽¹⁾	42,400	44,610	48,830	+2,210	+4,220	+6,430
Estimated White Collar Occupations ⁽²⁾⁽³⁾	21,620	24,530	26,860	+2,910	+2,330	+5,240
Estimated Office Floorspace Supported ⁽⁴⁾				+58,200m²	+46,600m²	+104,800m²
Rounded Total						+105,000m²

Source: Essential Economics

Notes: ⁽¹⁾ Crude Labour Force Participation Rate 45%

⁽²⁾ White Collar as share of total Occupations: estimated 51% in 2016; 55% in 2020/2030

⁽³⁾ Includes Professional, Managerial and Clerical/Admin occupations

⁽⁴⁾ Average 20m² per office job (industry average)

The estimated 105,000m² in office floorspace requirements by 2031 is provided as a broad guide to overall office floorspace demand generated by those anticipated new entrants into the Hobsons Bay resident labour force by 2031 who are likely to be in white collar occupations. This total floorspace estimate is on the conservatively low side, particularly as the proportion and actual number of the employed labour force in white collar employment is increasing over time.

Also, the estimated 105,000m² in new office floorspace requirements is a global figure and would apply irrespective of where the actual office jobs are located. The Hobsons Bay municipality therefore has the following opportunities:

- (a) an opportunity to capture a share of this office floorspace potential associated with forecast growth in the number of the municipality's residents in white collar occupations; and
- (b) an opportunity to provide new office floorspace that can accommodate a share of the municipality's white collar workforce who presently work outside the municipality but who would choose to work locally if the opportunity arises (for reasons earlier noted).

These opportunities for office development in Hobsons Bay are further highlighted later in this report.

Note: The estimate of 105,000m² of office floorspace that could accommodate growth in the white collar resident labour force of Hobsons Bay is not meant to suggest this figure as a 'target', but simply to indicate the underlying magnitude of office floorspace that could be supported by these residents.

2.3 Opportunity to Capture More White Collar Jobs in Hobsons Bay

Reference to the ABS 2011 Census material supports the view that Hobsons Bay has potential to capture a share of white collar employment that, to date, has been attracted to employment opportunities located further afield beyond the municipality. It is expected that the forthcoming release of the ABS 2016 Census material will strengthen this case by demonstrating further growth in the share of residents employed in white collar occupations.

The following conclusions from the 2011 Census are relevant:

- 1 Hobsons Bay has a similar share of its employed residents in white collar occupations (51.0%) as the metropolitan Melbourne figure (51.9%). White collar employment of residents is forecast to average 55% of all employment 2016 to 2031 (refer Table 2.2).
- 2 The share of Hobsons Bay's employed labour force in white collar occupations increased from 48.9% in 2006 to reach 51.1% in 2011 (an increase of 2.2 percentage points); for metropolitan Melbourne, the share has increased from 50.9% in 2006 to 51.9% in 2011 (an increase of 1.0 percentage point). Of all new employment in Hobsons Bay, approximately 8 in 10 jobs were in white collar occupations over the period. Table 2.3 provides a summary of the Hobsons Bay data.

Table 2.3: White Collar Occupations Held by Hobsons Bay Resident Labour Force, 2006 and 2011

	2006	2011	Change 2006-2011	
White Collar Employment	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>Share</u>
Managers	4,310	4,910	+600	21%
Professions	7,390	9,000	+1,610	55%
<u>Clerical/Admin Workers</u>	<u>6,150</u>	<u>6,250</u>	<u>+100</u>	<u>3%</u>
<u>Sub-Total, White Collar</u>	<u>17,850 (48.9%)</u>	<u>20,160 (51.1%)</u>	<u>+2,310</u>	<u>79%</u>
Other Employment	18,670 (51.1%)	19,280 (48.9%)	+610	21%
Total Employment	36,520 (100.0%)	39,440 (100.0%)	+2,920	100%

Source: ABS Census, 2006 and 2011 (rounded totals)

Note: ABS Population & Housing Census 2016 data not yet available

- 3 In the inter-censal period 2006 to 2011, white collar occupations held by Hobsons Bay residents increased by +12.9%; for all other occupations held by residents, the increase was just +3.3%.
- 4 At the 2011 Census, only 24% of residents both lived and worked in Hobsons Bay; the vast majority of employed residents at 64% worked outside the municipality. Many of these persons at work outside the municipality would likely prefer to work locally if the opportunity existed. Note: a further 12% (approximately) of employed persons living in Hobsons Bay did not specify the location of their workplace.
- 5 Hobsons Bay is experiencing continuing growth in 'gentrification', as reflected in the socio-economic profile of the municipality and growth in median house prices. For example, in Altona North the median house price was \$723,500 and this price increased by 9.6% per annum over the period 2006 to 2016; in Williamstown the median price was \$1,250,000 with an average increase of 7.5% per annum. In contrast, for Melbourne as a whole, the median house price was lower at \$635,000 in 2016 and the average increase between 2006 and 2016 was lower at 5.8% per annum. The 'gentrification' process is a factor explaining the trend towards further increases in white collar occupations and a reduction in the share of blue collar occupations among employed residents.

To date, relatively few office-based employers have established in Hobsons Bay (compared with similar municipalities), and this is reflected in the following features:

- the high proportion of employed residents who work outside Hobsons Bay; and
- the small number of office developments and sales recorded in Hobsons Bay compared with other municipalities which are located a similar distance from the Melbourne CBD, as noted in the following section.

In summary, opportunities exist to retain more white-collar resident workers in Hobsons Bay by providing commercial office space which generates new, locally-provided professional employment workspace.

2.4 Trends in Office Development Permits and Property Sales in Hobsons Bay

The office market in Hobsons Bay is reflected in property sales data and in commercial building permits. Each of these information sources is described below in respect to the performance of the Hobsons Bay municipality and other nearby municipalities, all of which have activity centres and/or free-standing commercial/office centres located within 10km to 15km of the Melbourne CBD.

Property Sales

In the four years 2013 to 2016, Hobsons Bay recorded 7 office property sales, according to the Valuer-General's annual reports (an average of approximately 2 sales per year). By comparison, Maribyrnong recorded 32 office property sales (averaging 8 sales per year) and Moonee Valley recorded 36 sales (averaging 9 sales per year).

Information for 2016, the most recent year for which data is available, indicates Hobsons Bay recorded 4 office sales and this contrasted with sales recorded for Maribyrnong (8 sales), Moonee Valley (8 sales), Brimbank (3 sales) and Moreland (5 sales).

The fewer sales recorded in Hobsons Bay compared with other relevant municipalities is also noted from earlier data. In 2009 for example, Hobsons Bay recorded 3 office sales and this contrasted with Maribyrnong (9 sales), Moonee Valley (7 sales), Brimbank (7 sales) and Moreland (7 sales).

Clearly, Hobsons Bay is experiencing a lower level of office-based property sales activity compared with other municipalities located a similar distance from Melbourne's CBD.

Commercial Building Permits

An indicator of activity in the commercial sector is the value of commercial building permits issued by Council, as summarised in Table 2.4.

In the four years 2012/13 to 2015/16 a total of \$17.3 million in office permits was issued by the City of Hobsons Bay, averaging \$4.3m per year in value. In office floorspace terms, the total size of office projects approved in the municipality over this four-year period is estimated at approximately 7,400m², or around 1,850m² per year, based on an average construction office cost of \$2,350/m² (Rawlinsons, *Australian Construction Handbook*).

Over this period, approximately \$7.9 million or 45% of the value of all new office permits were recorded for Altona North and equivalent to around 840m² per year in terms of office floorspace.

Table 2.4: Office Permit Activity, City of Hobsons Bay and Altona North, 2012 to 2016

Year	Value of Office Permits (\$'000)		
	City of Hobsons Bay	Altona North	Balance of Municipality (*)
2012/2013	\$6,276	\$2,474	\$3,802
2013/2014	\$4,042	\$2,274	\$1,768
2014/2015	\$4,157	\$1,481	\$2,676
2015/2016	\$2,848	\$1,674	\$1,174
Total	\$17,323	\$7,903	\$9,420

Source: ABS Building Approvals

Note: (*)Balance of Municipality includes Altona, Altona Meadows, Newport, Seabrook and Williamstown

In financial year 2015/16, the value of commercial/office permits in Hobsons Bay averaged \$184 per resident; this contrasted with Victoria as a whole where the average was \$597 per resident.

2.5 Recent/Potential New Office Developments in Hobsons Bay

A new development proposal for Altona North involves the construction of a further 2.2ha for an 'office and warehouse mews' at Millers Junction, comprising 76 units. This form of development is popular at the existing Millers Junction development on the south side of Cabot Drive. However, market comment indicates that this type of development does not meet the requirements that interested parties may have who are seeking conventional office premises and not attached to a warehouse, workshop, or storage area.

The Hobsons Bay Business Centre is a recent development comprising some 30 offices located in Railway Street, Altona. Currently, several small offices are available for rent (typically under 50m² in floorspace).

It is understood that no significant office developments are presently under-construction in the municipality, although a number of small individual sites exist in centres such as Newport, Altona and Williamstown.

2.6 Implications for Proposed Development

The economic development policy for Hobsons Bay recognises that the municipality has a low profile as an office location and has a lack of centrally-located office space. Furthermore, Council recognises that large numbers of residents travel out of the municipality each day for work in other places as work opportunities are not readily available at the local level. Recognising these circumstances, Council has a policy objective to establish Hobsons Bay as an attractive location for businesses that will attract investment and jobs (as described in Section 2.1).

Review of ABS Census data indicates that Hobsons Bay has a high proportion of employed residents in white collar occupations, although the vast majority work outside the municipality. Moreover, projections of employment by type of occupation indicate continuing growth in

office-based employment among the resident labour force. At least 50% of the resident labour force is employed in occupations identified as managers, professionals and clerical/administrative and the share is expanding over time.

Despite growth in office-based employment (as reflected in occupational data), Hobsons Bay experiences relatively lower levels of office development compared with other municipalities located a similar distance from Melbourne's CBD; this is reflected in fewer sales of office property and a low level of planning permits for commercial/office development (averaging just an estimated 840m² per year in floorspace terms) in the municipality.

The most significant recent commercial/office project in Hobsons Bay is Millers Junction Business Park in Altona North which provides 74 office warehouses and is planned to deliver an additional 76 office warehouses. However, real estate agents indicate that Millers Junction does not meet the requirements of those seeking conventional office premises. Once development of this land in Cabots Drive is completed, it is understood that probably few large-scale office/commercial development opportunities remain in the municipality in the short to medium-term.

3 REAL ESTATE AGENTS' VIEWPOINTS ON HOBSONS BAY OFFICE MARKET

In order to gain an understanding of the local commercial office market the consultant undertook discussions with local real estate agents and reference was made to commercial real estate web sites focused on Melbourne's inner western region. The following features are identified:

- Market demand for office floorspace exists in Hobsons Bay, but supply is limited.
- Developments such as Millers Junction are popular, but they essentially provide warehouse/office combinations, with the office component typically comprising a small share of total floorspace.
- The opportunity to develop a business park focused on offices (and not linked with warehouses, as is the case with Millers Junction) would be popular among those businesses seeking office space in this part of the inner western region.
- Those seeking offices to lease or purchase in the general area typically represent a wide cross-section of small businesses, ranging from financial advisers and architects, to real estate agencies and health care.
- Attributes that businesses are seeking in an office location (apart from affordability) vary according to business type, but typically include local amenity, proximity to local services (café, coffee, retail) and freeway and main road access. In some cases, main road exposure is important where a business depends on attracting customers or clients by having a prominent location. However, those service providers who either visit their clients on-site or where their clients visit the service provider's office do not depend on main road exposure.
- Access to public transport (rail and bus) is important for many office-based businesses seeking locations in the general area, as well as convenient road access for those using private motor vehicles on the work-related journey. In relation to public transport, bus services operate along Blackshaws Road and a link is available to Newport railway station.
- Those businesses seeking an office location in areas such as Altona North also look as far as Maribyrnong, including Footscray, Sunshine and Highpoint, for office space to buy or lease.
- A number of enquiries received by real estate agents are from businesses looking for an office location in Hobsons Bay as their existing premises in places like Fishermans Bend are undergoing redevelopment for more intensive (high-rise) activities.

Overall, the potential demand for office premises in Altona North and in the wider municipality is strong when considering the local experience of real estate agents active in this market, and when viewing web sites which indicate relatively few office properties for lease or sale in Hobsons Bay compared with other localities in metropolitan Melbourne, especially in the inner urban localities.

4 POTENTIAL FOR OFFICE DEVELOPMENT AT ALTONA NORTH SITE

This Chapter provides an assessment of the office development potential associated with the subject site in Blackshaws Road, having regard for the proposed business park and town centre components planned as part of the Altona North CDP.

Consideration is given to the following:

- supply side – potential office floorspace supplied as part of the redevelopment of the site; and
- demand side – potential demand for office floorspace over a 10-year staging of development.

4.1 Potential Office Floorspace Supply and Jobs Supported at Subject Site

Preliminary estimates of potential office floorspace supply associated with the Altona North CDP as prepared by VPA indicate a total provision of 33,000m² in floorspace terms.

Applying an average of 20m² per office job (an industry metric for average office employment), the potential net floorspace of 33,000m² would support an estimated 1,650 jobs.

It is understood the overall redevelopment of the subject site and wider precinct may involve a period of 10 to 20 years, depending on demand and on the interests of landowners in the precinct. The office and residential development would be expected to occur in the earlier part of this period, with the retail component developing towards the latter period as the surrounding residential catchment reaches its capacity.

On this basis, it is assumed for the purpose of the market assessment that the office component develops over a period of (say) 10 years from the year of commencement, extending from 2021 to 2031, following planning and site development. Over the staged period of 10 years, an estimated 165 office jobs (rounded) would be accommodated each year at the subject site. This expectation is supported by the demand analysis presented in the following section. In this analysis, consideration is also provided for a 15-year development period.

4.2 Potential Office Employment Demand

Place of Work

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.

The number of Hobsons Bay residents employed in white collar occupations is used as a reference point in this assessment of potential demand for office development at the subject site.

Most of the municipality's resident labour force are employed beyond the municipal boundaries, as evidenced in the 2011 Census Journey-to-Work data. The data shows that 73% of all employed residents (who nominated their place of work) indicated they work beyond the municipality. On this basis it is likely that those Hobsons Bay residents in white collar occupations have a high incidence of work places that are located beyond the municipality. The forthcoming release of the ABS 2016 Census results is expected to confirm that a significant majority of employed residents work beyond the municipality, particularly those in white collar occupations.

Around 27% of Hobsons Bay residents work in the Melbourne CBD and environs (including Docklands and Southbank) where their employers are likely to require a 'central' location in what may be described as higher-order office and associated activities, and in entities that are state-wide, national and international organisations, including both private and public sector enterprises.

However, a further reason why only a small proportion of residents in white collar occupations actually work in Hobsons Bay can be explained by the lack of dedicated office developments in the municipality, as noted by real estate agents familiar with the Hobsons Bay property market. While Millers Crossing, a relatively new development, provides warehouse/office premises, this form of development does not meet the needs of those seeking a conventional office environment (ie, those who are not also seeking a warehouse/workshop environment). Existing office development in Hobsons Bay is typically confined to local offices situated in typically small neighbourhood activity centres.

Potential Office Demand

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 affordable office accommodation in proximity to the CBD and inner Melbourne and in a location that is well-served by public transport and by proximity to freeway and main road infrastructure; and

- local and other businesses seeking a location in Hobsons Bay where access to white collar employees can be facilitated, and where access to surrounding customers/clients is facilitated.

For the period 2021 to 2031, which is assumed to be the development period for the subject site, the number of Hobsons Bay residents employed in white collar occupations is forecast to increase from 24,530 persons in 2021 to 26,860 persons in 2031 (refer Table 2.2). This forecast is on the conservatively low side in view of the reality that white collar occupations are increasing in number at the expense of blue collar occupations (and this is a universal trend) at the present time. These figures assume that 45% of the population are in employment and 55% of these employed residents are in professional, managerial and clerical/admin positions (ie, white collar positions).

While the majority of white collar occupations will be located in conventional 'office' developments (and ranging from small to large building footprints), a share will also continue to be associated with white collar jobs in manufacturing, hospitals, education and the like. For the subject site, the proposed development is expected to accommodate conventional 'office' activities. These offices are likely to range from small premises (with up to 5 employees) to medium-sized premises (up to 20 employees) and large premises (over 20 employees).

As earlier noted, the 33,000m² of office floorspace proposed for the subject site would be expected to accommodate some 1,650 office-based jobs. Assuming the development of the subject site takes place over a 10-year period from 2021, staged development would see an average of 3,300m² of office floorspace and an average of 165 office jobs accommodated each year on the subject site. If a 15-year development period is involved, the annual increment in new office jobs would average around 110 jobs, covering around 2,200m² of office floorspace per year.

As a measure of the overall scale of potential office development at the subject site, the full complement of 1,320 office jobs at the end of year 10 (in 2031) would be equivalent to just 6% of all Hobsons Bay residents employed in white collar occupations (noting also that a share of the office jobs at the subject site would be occupied by employees from other municipalities). These calculations are shown in Table 4.1.

Table 4.1: Forecast Uptake of Hobsons Bay ‘White Collar’ Employees at Subject Site, 2031

	Value
Supply:	
Proposed Office Floorspace Supply	33,000m ²
Estimated No. of Office Jobs Accommodated (at 20m ² /job)	1,650 jobs ^(*)
Demand:	
Estimated No. Residents in White Collar Jobs at 2031 (Table 2.2)	26,860 jobs
Total Office Jobs at Subject Site as a proportion of All White Collar Residents by 2031^(*)	Approx. 6%
Source:	Essential Economics Pty Ltd
Note:	(*) A share of office jobs on the Subject Site would also be held by residents from municipalities other than Hobsons Bay.

While a number of scenarios can be developed in regard to the potential take-up of office floorspace at the subject site, the broad approach described above demonstrates that the subject site would account for only a very small share of total residents in white collar occupations over the 10-year forecast period (and also acknowledging that a share of the on-site jobs would be occupied by non-residents).

Conclusion

Office development proposed for the subject site would be likely to be fully taken-up over the 10-year development period in view of:

- the existing shortage in supply of office floorspace in Hobsons Bay, as evidenced in data showing relatively few office planning permits and office property sales compared with other inner-urban Councils, and supporting commentary from real estate agents active in this general region;
- the existing and increasingly high share of employed residents who are employed in white collar occupations, many of whom would seek locally-based employment opportunities where available, and noting that to date the vast majority of these employed persons must seek employment outside the municipality where enterprises (private and public) are located; and
- the underlying growth in white collar employment, especially as the national and local economies (and universally) move to higher-skilled occupations that are typically located in an office environment rather than in a workshop or factory (and which has been the focus for place of employment in Hobsons Bay for generations).

As Hobsons Bay continues to become a popular residential location, and as it continues to undergo ‘gentrification’, it is expected that office-based enterprises will seek appropriate locations in the municipality, attracted by its proximity to the Melbourne CBD; excellent access by freeway, main roads and public transport; and affordable property costs compared with other, more ‘central-city’ locations.

If the development take-up period was to extend to 15 years, this would involve an annual take-up of some 2,200m² of office floorspace and the office employment would involve 110 or so additional jobs per year.

5 EMPLOYMENT POTENTIAL ON SUBJECT SITE

The number of on-going jobs accommodated on the subject site is likely to total in the order of 2,050 jobs, based on the average floorspace per job for each type of activity. This estimate of total jobs is based on figures shown in Table 5.1.

Table 5.1: Estimated Total Number of Jobs Accommodated at the Subject Site

	Floorspace/Units ⁽¹⁾	Average Area per Job ⁽²⁾	No. Jobs
Office	33,000m ²	20m ² per job	1,650 jobs
Supermarket	2,420m ²	20m ² per job	121 jobs
Specialty shops, food & beverage	3,060m ²	25m ² per job	122 jobs
Community Centre	-		10 jobs
Home-Based Business	2,950 dwellings	5% with home-based business and 1 job per business	148 jobs
Total Jobs			2,051 jobs Rounded: 2,050

Source: ⁽¹⁾ Victorian Planning Authority, Altona North Comprehensive Development Plan

⁽²⁾ Essential Economics Pty Ltd

The **retail jobs** will vary according to retail premises: for the supermarket, employment will involve store management, administration, cashiers and merchandise handling. The smaller retail premises will employ staff in retail management and sales (combined in small operations) and in food & beverage in the cafes/restaurants.

The types of **office jobs** will reflect the nature of the office-based operations, and will likely include management, administration, clerical and other positions, as well as professional staff who reflect the nature of the particular business (eg, accountants, lawyers, etc).

In regard to the office activities, it is likely that a share of the businesses will be locally-oriented activities (eg, accountants, legal, real estate, and the like), as well as larger offices attracted by the opportunity to develop a large office at an affordable cost in contrast with a location in the Melbourne CBD or environs (eg, Docklands, Southbank) or in a larger inner urban activity centre (such as East Melbourne, Richmond) or suburban activity centre (eg, Highpoint, Kew, Box Hill, Stonnington).

Overall, the businesses likely to locate at the subject site will be attracted by particular site attributes, including accessibility to major road/freeway infrastructure, public transport (bus and train), other on-site facilities and services (eg, café, coffee shop and retail), and cost of site and development relative to other possible locations.

6 CONCLUSION

- 1 **Background:** The **precinct** in which the CDP applies has gross land area of 67ha, and has traditionally supported industrial uses and a mix of other uses situated between the West Gate Freeway to the north, Blackshaws Road to the south, New Street to the east, and Kyle Road to the west. The **subject site** which is the focus for this report has a gross land area of 5ha (for new commercial development) and is located in the southern part of the overall precinct, with frontage to Blackshaws Road.
- 2 **Council's Development Policy:** Council's economic development policy recognises that Hobsons Bay has a low profile as an office location and has a lack of centrally-located office space. Furthermore, Council recognises that large numbers of residents travel out of the municipality each day for work in other places as employment opportunities are not readily available at the local level. Recognising these circumstances, Council has a policy objective to establish Hobsons Bay as an attractive location for businesses that will attract investment and jobs.
- 3 **Lack of White Collar Employment Opportunities in Hobsons Bay:** Review of ABS Census data indicates that Hobsons Bay has a high proportion of employed residents in white collar occupations, although the vast majority (73% of those nominating their workplace) work outside the municipality. Moreover, projections of employment by type of occupation indicate continuing growth in office-based employment among the resident labour force. At least 50% of the resident labour force is employed in occupations identified as managers, professionals and clerical/administrative and the share is expanding over time.
- 4 **Low Levels of Office Development:** Despite growth in office-based employment (as reflected in occupational data), Hobsons Bay experiences relatively lower levels of office development compared with other municipalities located a similar distance from Melbourne's CBD. This is reflected in fewer sales of office property (an average of less than 2 sales per year, 2013 to 2016) and a low level of planning permits for commercial/office development (only averaging an estimated 1,850m² per year in floorspace terms).
- 5 **Activity Centres:** Although a number of activity centres operate in North Altona, the office/commercial uses are limited to those that typically locate in activity centres (such as real estate agents, legal offices, accountants, health care and the like). A significant office/warehouse complex is located at Millers Junction Business Park (comprising 71 office/warehouse units), and this is planned for extension (with a further 76 office/warehouse units). This form of development does not necessarily meet the requirements of those businesses seeking conventional office premises (ie, without a warehouse attached).

- 6 **Altona North Comprehensive Development Plan:** The CDP, developed by the VPA in conjunction with Hobsons Bay Council, identifies a number of sub-precincts that include a town centre, a business area, residential areas, and a community centre. Residential uses in the Plan cover some 46ha, while the new commercial area covers approximately 5ha.
- 7 **Forecast Growth in Hobsons Bay Residents Employed in White Collar Occupations:** In broad terms, the anticipated growth in ‘white collar’ office-based employment among residents of Hobsons Bay would require an estimated 105,000m² of new office floorspace by 2031, irrespective of location. However, to date relatively few office-based employers have established in Hobsons Bay (compared with municipalities located a similar distance from the Melbourne CBD), and this is reflected in (a) the high proportion of employed residents who work outside Hobsons Bay; and (b) the small number of office developments and sales recorded in Hobsons Bay compared with other municipalities located a similar distance from the CBD.

The estimate of 105,000m² of office floorspace that could accommodate growth in the white collar resident labour force of Hobsons Bay is not meant to suggest this figure as a ‘target’, but simply to indicate the underlying magnitude of office floorspace that could be supported by these residents.

- 8 **Office Floorspace Supply:** Estimates of potential office floorspace supply associated with the Altona North CDP as prepared by VPA indicate a total provision of 33,000m² in floorspace terms. Applying an average of 20m² per office job (an industry metric for average office employment), the potential net floorspace of 33,000m² would support an estimated 1,650 office jobs. It is assumed for the purpose of the market assessment that the office component develops over a period of (say) 10 years from the year of commencement, extending from 2021 to 2031 (following planning and site development). Over the staged period of 10 years, an estimated 165 office jobs would be accommodated each year at the subject site, occupying an average of 3,300m² per year. If the development take-up period was to extend to 15 years, this would involve an annual take-up of some 2,200m² of office floorspace and the office employment would involve 110 or so additional jobs per year.
- 9 **Office Floorspace Demand:** 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 affordable office accommodation in proximity to the CBD and inner Melbourne, and in a location that is well-served by public transport and by proximity to freeway and main road infrastructure; and
 - local and other businesses seeking a location in Hobsons Bay where access to white collar employees can be facilitated, and where access to surrounding customers/clients is facilitated.

As a measure of magnitude or scale of development, new office jobs accommodated at the subject site (averaging 165 jobs per year) would account for just 0.7% of the number of Hobsons Bay residents in white collar occupations in 2021, and 0.6% in

2031. The full complement of 1,650 office jobs at the end of year 10 (in 2030) would be equivalent to only 6% of all Hobsons Bay residents employed in white collar occupations (noting that a share of the office jobs at the subject site would be expected to be occupied by employees from other municipalities).

- 10 **Total On-Site Employment:** The number of on-going jobs accommodated on the subject site is likely to total in the order of 2,050 jobs and this includes 1,650 office jobs, 240 retail jobs, 10 community centre jobs, and 150 jobs in home-based businesses. Those activities likely to locate at the subject site will be attracted by its accessibility to major road/freeway infrastructure, public transport (bus and train), other on-site facilities and services (eg, café, coffee shop and retail), and affordable cost of site development relative to other possible locations.
- 11 **Conclusion:** Growth is forecast in white collar employment among Hobsons Bay residents, with forecasts showing 26,860 residents employed in white collar occupations by 2031, representing an increase of some +5,240 residents in these jobs on current numbers. Having regard for this growth, it can be reasonably expected that office floorspace provided at the subject site (and potentially accommodating a total of 1,650 office jobs) would be absorbed over the period to 2031 (and provided that the development is of a standard in terms of building design, construction and amenity that meets market interests).

Moreover, a share of the office jobs on the subject site would be taken up by non-residents; if, say, one-third or 550 of these office jobs on the subject site are held by non-residents, the balance of 1,100 office jobs held by Hobsons Bay residents would account for only 1-in-5 of the municipality's growth in new residents (+5,240) in white collar occupations to 2031. Regardless of office location, the forecast growth in the number of Hobsons Bay residents in office occupations is forecast to support approximately 105,000m² of new floorspace by 2030 (5,240 jobs x 20m² per job). The subject site is well-located to serve a share of this growth potential and, in so doing, contribute to growth in local jobs in Hobsons Bay.