Northern Exposure

an analysis of office and commercial accommodation issues in Melbourne’s North
Northern Exposure – an analysis of office and commercial accommodation issues in Melbourne’s North
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issues in Melbourne's North

A study commissioned by NORTH Link/NIETL and funded
jointly by industry, education and local government in Melbourne's North

Consultants
Australian Research Group
SGS Economics and Planning

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Enquiries and Purchase of Full Report
Mr Mick Butera
Executive Director
NORTH Link/NIETL
c/- Institute for Advanced Study
La Trobe University
Main Drive
BUNDOORA 3083
Telephone: 03 9479 3337
Facsimile: 03 9467 8310
Email: m.butera@latrobe.edu.au
FOREWORD

The significant shortage of office and commercial accommodation in Melbourne’s North has previously been identified through both industry feedback and the research report ‘Growing Melbourne’s North - developing an integrated economy’ (2003) as a major inhibitor to regional economic growth.

North Link/NIETL and the Northern Melbourne Area Consultative Committee (NACC) have undertaken to analyze this situation at grass roots level detail with the aim of identifying and addressing the limiting factors on the supply and demand for office and commercial accommodation across the region.

This analysis has been accomplished through one on one interviews and workshops with eighty five of the key decision makers and others with first hand experience and knowledge on the subject.

The outcomes of this study and the recommendations developed are now presented in this study ‘Northern Exposure - an analysis of office and commercial accommodation issues in Melbourne’s north’.

NORTH Link/NIETL and the NACC will now commence the process of partnering with key stakeholders to implement key report recommendations in order to grow office and commercial accommodation and contribute further to sustainable economic and employment growth in the northern region of Melbourne.

Gerry Neylan
General Manager Property Development
Melbourne Airport/NORTH Link Chair
ACKNOWLEDGEMENTS

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Project Steering Group
Mick Butera Executive Director, NORTH Link/NIETL
Tony Coppola Executive Officer, Northern Melbourne Area Consultative Committee (NACC)
John Francis Director Economic Development, City of Whittlesea
David Keenan Director Economic Development, Hume City Council
Sue La Greca Manager Economic Development, City of Darebin
Gerry Neylan, General Manager Property Development Melbourne Airport/Chair NORTH Link
Greg O’Brien Emeritus Professor, La Trobe University
Sue Vujcevic Manager Sustainable Development, Moreland City Council

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• Austrak & GPT Group
• Banyule City Council
• City of Darebin
• City of Whittlesea
• City of Yarra
• Hume City Council
• La Trobe University
• Lend Lease Communities
• MAB Business Parks

• Macquarie Goodman
• Melbourne Airport
• Moreland City Council
• NORTH Link/NIETL
• Northern Melbourne Area Consultative Committee
• Northpoint Enterprise Park
• Origin Energy Asset Management Limited
• Shire of Nillumbik

Interviewees
We are most thankful for the time and intellectual guidance of the eighty-four interviewees and the four additional organisations that have provided information and quotes. They are all listed and named in the research except for those that asked to remain anonymous.

Staff
The final proof reading and cross checking was an enormous undertaking due to the sheer volume of the report. The staff of NORTH Link/NIETL performed the task magnificently with special acknowledgement to Deb Redmond for her assiduous approach to a most demanding task.
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1. Executive summary

NORTH Link/NIETL commissioned the Australian Research Group to conduct this study in late 2006. This project was initiated in response to research and industry feedback that shows the region is suffering from a severe shortage of office and commercial accommodation.

Given the fact that the Northern region is planning for a major population increase of over 250,000 people over the next ten - twenty years, it is considered critical that any economic barriers to growth are removed and that opportunities to increase employment in the region are maximised.

This project has the full support and is fully funded by the seven councils in the region; NORTH Link/NIETL; Northern Melbourne Area Consultative Committee and key property developers and agents in the region.

The study area includes the seven municipalities within the Northern region of Melbourne, namely the cities of Banyule, Darebin, Hume, Moreland, Whittlesea and Yarra plus the Shire of Nillumbik located inside the Urban Growth Boundary and those areas outside of the Urban Growth Boundary that may be relevant to the analysis.

In depth interviews have been conducted with a diverse range of some 85 individuals including large-scale developers, commercial real estate agents, government spokespeople, and business owners.

1.1 Our Approach

This study has taken the research on office and commercial accommodation issues in the North beyond net absorption rates, demographic data and floor space measurements and into the realm of considering the many issues that lie behind the lack of significant office and commercial accommodation in the Northern region of Melbourne.

It goes where the data does not go - into the underlying factors in the North and the current reality of the region - and therefore moves past the historical data that so clearly favours the suburban office market located primarily in Melbourne's South East. Without an office market history on that scale, the data cannot show the potential for the North.

1.2 Principal Conclusions

a. University Hill the test case – promoting its success will be essential

University Hill is seen as the test case and the first such test case for the North.

University Hill is going well and selling well. Promoting this will be important as it commences and once it is established.

b. Image of the North remains one of the greatest hurdles

There is a clear need to commence marketing campaigns and develop strategies aimed at changing perceptions of decision makers about the North. To many developers, the North is absolutely outside their realm of thinking on office development and is not a move they’d be prepared to make for fear of damage to their own reputation.

c. Breaking out of the Catch 22 – no history of office accommodation

Developers overwhelmingly still see the North as a risk when it comes to office accommodation; not a safe bet for investment; based almost exclusively on its lack of an established reputation as a location for office and commercial developments.

Breaking out of this Catch 22 is critical and University Hill creates the first opportunity to do so. Education on the reasons why the economic data doesn’t always stack up well for office accommodation in the North is an important starting point: the lack of historical patterns and the outdated nature of the last Census data.
d. Need for increased awareness of who chooses to live in the North
Family, multicultural, religious and sporting connections to the North are among the range of factors involved in the decision to live in the North by many highly skilled professionals and very successful businesspeople. These aspects are not well understood outside the region. Many developers, who typically live in the inner city or East or South of Melbourne CBD, cannot understand why anyone would want to live in the North and can certainly not understand why anyone would want to work in an office there. This is a real barrier.

There is almost no understanding of what might be called the changing face of the Northern CEO. The many factors that create tight links between wealthy businesspeople or highly skilled workers and their wish to live and work in the North, are not understood.

e. Haven for sustainable office developments
The North is seen to offer great scope for development of sustainable office buildings. There are many reasons for this and they vary across the different parts of the North, however this is a major advantage and one that is most timely and should be marketed.

f. Need to differentiate within the North
Differentiating within the North could become a valuable strategy. Many interviewees see that there are some obvious matches between certain styles of office and the various segments of the North: for example Brunswick is seen as having potential for development of funky, bohemian office spaces; while Coburg could actively develop its multicultural nature into a genuine differentiator between Moreland Road and Bell Street, with Preston having the potential to become a market-focused alternative style of office space and Thornbury showing potential as a location for businesses with an arts-related focus to their work. Each municipality has potential for its own differentiation.

g. Unmet demand for quality office and commercial accommodation
It is already very clear that there is indeed unmet demand for quality office and commercial accommodation in the North. Though it is in no way seen as being equal to the demand from the East/South-East, given there is very little quality office accommodation in the North, the issue is one of unmet demand. There is a reasonable amount of poor quality, old dilapidated stock, often vacant and usually stuck somewhere between the garbage bins and the Not Quite Right store.

h. Skilled worker mix must be highlighted and reinforced
With skill shortages a critical issue for business today, reassurance is required on the presence of skilled workers in the North and the mix of skills they offer. This is a primary issue due to the skewed perceptions that the North has few skilled workers. The results of the latest Census will be critical in relation to this and engendering greater confidence about the demographic mix of parts of the North.
1.3 Principal Recommendations

- Promote the reality that a well-placed, quality office development in the North would have access to a workforce of approximately 700,000 people across a band from Sunbury and Gisborne and areas closer to the West, right through to the East and North East.

- When available, the most valuable new findings must be actively promoted to provide evidence of changed demographics and emerging patterns since the last Census. Such analysis must take in the characteristics of the entire band from which employees could be drawn – from Gisborne through to Doncaster, Blackburn.

- Those involved with University Hill should do everything possible to support the success of this development, given its importance as a catalyst. Publicising future high rates of tenancy of University Hill will also be important, to address concerns that its success may only lie in the sales of offices.

- Councils could work with the State Government to fast-track planning scheme amendments where it will otherwise have a negative impact on plans for developments containing an office component.

- The Councils need to think: “What do the developers need to encourage them to build offices?”

- Where areas remain badly presented, initiatives should be taken by Councils to change that. Where transformation of an area has occurred, and there is clear evidence of this, the area needs to be marketed or its old reputation will simply remain due to the lack of knowledge about the changes.

- Do not try to promote an area beyond its current reality as this could be counter-productive.

- While the industrial strengths of the North are significant, they do not necessarily link to strengths for office and commercial accommodation and should not necessarily be linked in this way through promotional activities.

- NORTH Link/NIETL in conjunction with the 7 Councils of the North, should seek to begin the early discussions on the need to join the North to EastLink and develop a coordinated approach to this matter.

- There is a critical need to expand the level of understanding of what drives the North and who lives and wants to work in the North, with a greater focus on the various parts of the North and the characteristics of each – demonstrating that it is not one homogenous region.

- In promotional materials, address the issue of perceived risk of developments in the North and provide evidence of outcomes that reveal the risk perception was over-stated.

- The suitability of parts of Whittlesea (and possibly Hume) to campus style offices (low-rise, large fibroplate buildings, with the new NAB building at Docklands one of the more recent high profile examples) should be highlighted in marketing of the area, particularly in relation to the associated ability to more readily create these as ‘green offices’. There is a greenfields advantage in setting up sustainable support infrastructure.

- The potential of parts of the North as ideal locations for green buildings is a major advantage and one that is timely and should be marketed immediately, given the rapid pace of increasing business interest in this matter. There are many reasons why parts of the North have particular advantages: in addition to Whittlesea having a range of sites that still provide the opportunity to integrate sustainability measures into new office developments; areas within Moreland offer great scope for retro-fitting older buildings and creating a funky, green office niche within suburbs such as Brunswick; and the ‘green’ image already associated with areas near to the Yarra River, provide further opportunities to capitalise on green attributes.
• The strategic importance of the presence of Melbourne Airport within the North cannot be overstated and needs to become a key focus of discussion about the potential for the North

• The need to address the shortage of quality office accommodation in the North is so great that every possible action that can be taken at the various levels of Government must be taken, in order to assist in bringing about change on this issue

• Representations should be made to the State Government requesting the Urban Development Program commence a systematic measurement of supply of and demand for office and commercial accommodation and land availability across Melbourne, with particular reference to the five main growth areas

• Publicising the innovative zoning response to University Hill would be a valuable means of encouraging other councils to consider such a response in order to facilitate a major catalyst development

• There is a pressing need to address the zoning issues preventing development of medical suites adjoining the hospital precinct in Heidelberg - and this matter needs to be resolved as a matter of considerable urgency

• Councils must maximise options for use of high quality land, help the developers reduce the risk and allow these uses wherever possible. Councils must be able to go to the developers with half the work done and be responsive to market forces

• Councils intent on strengthening the supply of quality office and commercial accommodation within their municipalities must remove barriers at every opportunity

14 SGS Economics and Planning Report - ‘Drivers of Office Development in Melbourne’

As an adjunct to this qualitative research report, SGS was commissioned by NORTH Link/NIETL to compile knowledge on the drivers behind the demand for office development and its locational pattern. The work has been undertaken entirely on a desk top basis, relying primarily on previous SGS reports. Customised modelling/projection work was not undertaken for this project.

The SGS review reveals office floorspace projections for the Northern Region between 2001 and 2021, during which it is likely to accommodate around 560,000 square metres of additional office floorspace.

The SGS report also looks at the three broad groupings of factors that can be expected to reshape the potential for office development in the Northern Region. The first concerns the process of changes in the way customer value is created in the ‘new economy’. In a second and closely related trend, work patterns are changing. Work is now more casualised. Thirdly, market forces will play out within a framework of government policy and public investment. Business type is a key determinant of office locational preference, while the traditional drivers of office location also remain significant.

The SGS report is an appendix to this document.
2. Study Background

Melbourne’s North currently has a rare dual opportunity that few cities have – projected residential growth with the potential for infrastructure supported growth over time. The difficulty is that so much of the opportunity is still not fully understood within government departments although some progress is being made through the efforts of local government and other regional stakeholders.

Consequently, the North is still not given the strategic focus it deserves even though it is in fact the spine of the East coast market network.

2.1 Rationale for the project

This project has been undertaken with the full support and funding from seven LGAs representing the Northern region of Melbourne (Moreland, Yarra, Darebin, Hume, Whittlesea, Banyule, Nillumbik) plus the Northern ACC and NORTH Link/NIETL – the latter organisation is also the Project Manager. It has been developed in response to research and industry feedback that shows the region is suffering from a severe shortage of business and related services that is restricting the economic capacity of the region.

The project was aimed at identifying the reasons for this shortage and determining why commercial business owners are often locating their businesses in other areas of Melbourne and ignoring the benefits available in the Northern region. With the reasons identified, NORTH Link/NIETL will now begin to identify and implement a range of activities and initiatives that will facilitate an improvement for the Northern region in this state of affairs.

Given the fact that the Northern region is planning for a major population increase of over 250,000 people over the next ten - twenty years, it is critical that any economic barriers to growth are removed and that opportunities to increase employment in the region are maximised. This project aims to create a catalyst for the expansion of office and commercial accommodation in the region leading to increased employment opportunities within the region.

This project has been undertaken with the full support and funding from the seven councils in the region; NORTH Link/NIETL; Northern Melbourne ACC and key property developers and agents in the region. This level of support clearly demonstrates the importance of this issue and signals effective regional collaboration to achieve the project outcomes. As this issue is a barrier to regional economic development, it is more appropriate, logical and cost effective for a regional collaborative approach.

2.2 Description of project

This project aims to ultimately increase the supply of business services office and commercial accommodation in Melbourne’s Northern Region by identifying and responding to the reasons that have contributed to the level of office and commercial accommodation being underrepresented in the Northern region of Melbourne.

The increase in supply of business services office and commercial accommodation will overcome the current serious gap in supply of suitable office and commercial accommodation needed to attract and retain high value-adding business services in Melbourne’s North.

The next step in the project will be to develop a business services office accommodation strategy and identify an investment promotion and attraction facilitation program in Melbourne’s North and the municipalities within it designed to meet the shortfall.

2.3 Why the study was required

The project was required in order to build on the “Growing Melbourne’s North - developing an Integrated Economy” report that identified a severe shortage in the provision of business and related services in Melbourne’s North. The report recommended that a new strategic and collaborative approach is required to increase the level of employment, investment and businesses involved in the service sectors to support sustained prosperity in Melbourne’s North.

A key step in this process is to increase the supply of commercial office space to attract and retain high value adding business services in Melbourne’s North.
2.4 Project Objectives
This project is a first step to facilitating new investment in office and commercial accommodation in Melbourne's North. It was designed to identify and make recommendations for a marketing and promotion and investment attraction strategy to help overcome the problem.

This project was aimed at identifying:

- Why the demand for office and commercial accommodation is higher in locations other than the North
- Why the supply of office and commercial accommodation in the North is lagging and how it may be improved
- The needs and motivations of those in a position to influence and cause the development of office accommodation space and their perceptions of the Northern region
- The needs and motivations of those requiring the space and their perceptions of the Northern region
- The opportunities that the North of Melbourne provides, now and in the future, for office and commercial accommodation development
- Recommendations for marketing initiatives based on the findings, to improve the supply and demand of office and commercial accommodation in Melbourne's North

The project was designed to gather information from government, real estate agents, developers, financiers, Property Councils, providers of serviced offices and any others that may be able to provide useful information on the issue.

2.5 Geographic Scope
The study area included the seven municipalities within the Northern region of Melbourne namely the cities of Banyule, Darebin, Hume, Moreland, Whittlesea and Yarra plus the Shire of Nillumbik located inside the Urban Growth Boundary and those areas outside of the Urban Growth Boundary that may be relevant to the analysis.

2.6 Market analysis by SGS Economics and Planning
A market analysis of the likely demand for existing and long term projected floor space and industrial land use requirements was considered necessary to inform a review and provide a better understanding of office, commercial and industrial land use for the determination of future requirements.

The market analysis was to provide information on:

- Projected floor space demands within the Northern region of Melbourne
- Floor space demand analysis to include demand for various categories of conventional retail (clothing, food, home wares etc); non-retail floor space such as offices, banks, personal and business services etc); bulky goods retail and any other commercial accommodation
- Projected industrial land requirements and employment potential
- Assessment of the region's existing and projected share of regional retail employment
- Commercial and industrial uses that have specific land and/or location preferences and details of those preferences

The analysis was to take into account the current and potential roles of each of the seven municipalities in providing services to the broader region, given the scenarios for population growth within the region.

This component of the study was conducted separately by SGS Economics and Planning. Several key points are outlined below but complete findings, conclusions and references from that study are contained in a separate report to NORTH Link/NIETL.
Key Findings - SGS Economics and Planning
‘Drivers of Office Development in Melbourne’

• The advent of the knowledge economy, which is primarily accommodated in offices, is increasing the need for office floorspace across a range of sizes and in a variety of locations. As the metropolitan economy restructures, with increased interchange at the global level, and the ensuing changes in the way Melburnians work, the spatial distribution of employment is also altered. Within metropolitan Melbourne, there has been a well-documented rise in suburban employment.

• SGS has projected that up to the year 2021, the Northern Region of Melbourne is likely to accommodate around 560,000 square metres of additional office floorspace.

• The ‘unbundling’ of value chains with globalisation has opened up opportunities for small businesses linked to inter-regional exporters. Arguably, a significant proportion of these small businesses could be attracted into centres across the region, building upon existing technology and research precincts. Success in this regard is likely to require positive clustering strategies.

• Redundant retail shopfronts provide an example of small premises which could potentially attract small office uses. Elements of these spaces which are attractive in the new economy work environment include:
  - Small floorsplates;
  - Excellent access to public transport;
  - Access to an increasingly skilled workforce.

• The majority of Melbourne’s outer municipalities do not currently have the attributes that would potentially make them strong candidates for attracting advanced business services in high numbers. In order to capture some of the small office market, outer suburbs will have to pro-actively develop their activity centres into ‘lifestyle’ locations that would attract the highly skilled workforce new economy firms’ demands.

2.7 Project Sponsors

• Austrak & GPT Group
• Banyule City Council
• City of Darebin
• City of Whittlesea
• City of Yarra
• Hume City Council
• La Trobe University
• Lend Lease Communities
• MAB Business Parks
• Macquarie Goodman
• Melbourne Airport
• Moreland City Council
• Nillumbik Shire Council
• NORTH Link/NIETL
• Northern Melbourne Area Consultative Committee
• Northpoint Enterprise Park
• Origin Energy Asset Management Limited
3. **Background & Methodology**

3.1 **Methodology**

Methodology for this project involved the following components:

1. Two project design and briefing workshops.
2. Desktop research of available studies and data review.
3. Conducting 84 interviews using in-depth interview techniques. More than 90% of these interviews were conducted by a senior consultant. They were conducted through a mix of telephone and in-person, and were approximately 30 minutes to an hour in duration. In a number of cases, 2 individuals (or 3-4 on two occasions) were present, but typically they were conducted as one-on-ones, using unstructured, probing interview techniques.
4. A small scale economic analysis component was also conducted separately by SGS and is the subject of a separate report. Findings are only briefly referenced in this report.
5. Overview of marketing issues arising from this study and key recommendations.
6. Preparation of presentation and report.

Initially the study methodology proposed a quantitative study of a number of small businesses but ultimately it was determined that the in-depth one-on-ones with more senior interviewees, was the most effective and so the quantitative component was replaced with additional in-depth interviews.

3.2 **Interviewees**

Most interviews were conducted by Cathy Sommerville, Senior Consultant. Approximately 10 interviews were conducted by Lissie Ratcliff, Researcher.

Detailed notes were made for each interview and these have been thoroughly reviewed to elicit findings for this report.

a. **Quotes and attribution**

In many cases, interviewees gave approval for their quotes to be used along with their name; a number of interviewees preferred not to have their names listed with their quotes. Other interviewees preferred not to be named individually within this report. Each of those preferences has been respected in this report.

Where an interviewee's comments would have clearly revealed which individual had provided that quote and that person had not approved quotes to be attributed, we have omitted such quotes from this report and instead, have aggregated their response in various findings and conclusions within the report.
b. List of interviewees

**Christian Anderson**
Research & Development Director, Growth Areas Authority

**Julian Barson**
Managing Director, Australian Personnel Solutions

**Bill Beck**
Victorian Manager, Leighton Properties

**Colleen Bell**
Retail Coordinator, Broadmeadows Shopping Centre and Roxburgh Park Shopping Centre

**Sue Bell**
Director, La Trobe R & D Technology Park

**David Brown**
Regional Sustainability Manager, Lend Lease Communities

**Greg Bursill**
Director, Growth Area Development, Growth Areas Authority

**David Butera**
Associate, Industrial, Colliers International

**Mick Butera**
Executive Director, NORTH Link/NIETL

**James Cain**
Consultant to La Trobe University, formerly Executive Director, Major Projects Victoria

**Damian Cairns**
Relationship Executive, Northern Region, Commonwealth Bank of Australia

**Louis Cantares**
Senior Business Banking Manager, National Australia Bank

**Paul Clark**
Director, CRI Australia

**Nerida Conisbee**
Director, Research Consulting, Jones Lang La Salle

**Stephen Cornelissen**
Chief Operating Officer, Mercy Health & Aged Care, Mercy Hospital for Women at Heidelberg

**Tom Crothers**
Financial Adviser, Quadrant Securities

**Troy Cuthbertson**
General Manager, Rydges Hotels, (Preston)

**Halvard Dalheim**
Director, Policy Development, Department of Sustainability and Environment

**Clive Davenport**
CEO, Small Technologies Cluster, Caribbean Gardens, Scoresby

**David Deague**
CEO, Asian Pacific Building Corporation

**Ian Dennis**
Managing Director, Whitehorse Strategic Group

**Musli (Mustafa) Eidah**
Executive Director, BlueStar Logistics

**Peter Elliott**
Acting Manager, Industrial & Employment Research, Spatial Analysis and Research Branch, Department of Sustainability and Environment

**Bill Forwood**
Senior Adviser, CPR Communications, formerly Member of Parliament for Templestowe Province, Victorian Parliament

**Bob Goddard**
Pro Vice Chancellor (Strategic Development), La Trobe University

**Tim Grant**
Manager Commercial Leasing & Sales, Colliers International

**Bill Green**
General Manager, Austrak

**Oscar Guglielmi**
Managing Director & CEO, Folkestone Limited

**David Hall**
General Manager, University Hill Project, MAB Business Parks

**Brent Hailey**
CEO, MFS Diversified Group

**Michael Hedt**
Regional Manager, Northern & Western Metropolitan Region, Department of Innovation, Industry and Regional Development

**David Herschell**
Business Development Manager, MAB Business Parks

**Peter Hood**
Project Manager, Springthorpe, Urban Pacific Limited

**John Ihan**
Owner, Crazy John’s
Glenn Ingram
Director, Ingram Property Group

Anthony Kelly
Principal, Kelly & Kelly Property

Glenn Lampard
Associate Director, CB Richard Ellis Research

Cheryle Landolina
Owner, Pacific Personnel

David Latina
Executive Director, Office of Small Business, Department of Innovation, Industry and Regional Development

Glenn Lawrence
CEO, Alintec

Fred Liuzzi
Director, Alepat Taylor & Liuzzi Property Group

Duncan McLellan
Project Director – Lockerbie, Delfin Lend Lease

Bob McQuillen
CEO, RMD Metal Products

Andrew MacKenzie
Manager Marketing, Victoria, Origin Energy Asset Management Limited

Alistair Mailer
Building Manager and Project Director, 60L

Marco Marcou
Partner, MAP Venture Partners

Brett Miller
National Manager, Public Affairs, CPR Communications

John Mina
Owner, Green Bay Communications

Gerry Neylan
General Manager, Property Development, Melbourne Airport; and Chair, NORTH Link

Brad Paddon
Senior Development Manager, Victoria, Stockland Development

David Page
Amcor Business Services (Retired)

John Panozzo
Project Manager, Office of Investment Facilitation, Department of Innovation, Industry and Regional Development

Robert Papaleo
Director Strategic Research, Charter Keck Cramer

Alan Pears
Director, Sustainable Solutions; and Adjunct Professor, School of Global Studies, Social Science and Planning, RMIT University

Dennis Peucker
General Manager, Townsend Homes

Bree Polkinghorne
Senior Project Officer, Office of Investment Facilitation, Department of Innovation, Industry and Regional Development

John Purdey
Development Director, Northpoint Enterprise Park

Michael Quinn
Manager, Broadmeadows Shopping Centre, Colonial First State Property Management

David Redfern
Regional Industry Career Adviser, Australian Industry Group

Jeremy Reynolds
Director, Spatial Analysis and Research Branch, Department of Sustainability & Environment

Paul Richardson
Vice-Principal (Resources and Administration), La Trobe University

Peter Sacco
Victorian Corporate & Government Affairs Manager, Australian Conservation Volunteers

Senior Representative**
Investa Property Group

Sheikh Fehmi Naji El-Imam*
Victoria’s most senior Muslim leader, Preston Mosque (through assistant, Baha)

Craig Shepherd
Media & Gaming Analyst, CommSec, author of Growing Melbourne’s North Report; formerly Principal Economist, National Economics

David Sinden
General Manager, Real Estate, Siemens

Gurdeep Singh
President, Sikh Temple, Craigieburn

David Stafford
Corporate Banking, National Australia Bank
Lisa Stubbs  
Director, Contour

Michael Sutherland,  
General Manager, Victoria, Macquarie Goodman Group

Chris Tabone  
Managing Director, Valve Tech Engineering

Sam Tarascio  
Managing Director, Salta Properties

David Telfer  
Telfer & Telfer Homes

Lynn-Marie Travers  
General Manager Property Investments, MFS Diversified Group

Michael Tyrell  
Managing Director, NCI Limited

Geoff Underwood  
Director, Underwood & Hume, formerly Executive Director, Urban Development Institute of Australia and Chair, Urban Development Program, Department of Sustainability & Environment

Bob Waite  
General Manager, Darebin Enterprise Centre

Lester Walkenhorst  
Centre Manager, Victoria Gardens

Graeme Walker  
CEO, Brunswick Business Incubator

Darryl Whinney  
Manager Business Improvement & Corporate Projects, Kodak (Asia)

Michelle White  
Administration Manager, Zektin Passivation Services

Peter Wood  
Senior Partner, Yarra Group

Andrew Wyman  
Director, Deal Corporation

Ming Zhang  
Managing Director, Ming Zhang Accountants, Preston

*NORTH Link/NIETL  
Key representatives of NORTH Link were interviewed and also provided support for this project, in particular Mick Butera and Gerry Neylan.

* Brief discussion only  
** This individual did not wish to be named.
c. Local Government Consultation

**Banyule City Council**
Vincent Ryan, Manager Strategic & Economic Development
David Cox, Strategic Planning Co-ordinator
Joseph Tobacco, Economic Development Officer

**City of Darebin**
Kevin Breen, General Manager Strategy & Governance
Michael Ballock, Manager Economic Development
Sue La Greca, Manager Economic Development

**City of Whittlesea**
John Francis, Director Economic Development
Chris De Silva, Manager Strategic Planning
Jo Lanham, Strategic Planner
Maria Cooke, Team Leader Strategic Projects, Strategic Planning

**City of Yarra**
Vivien Williamson, Manager Strategic & Economic Policy
Robyn Hellman, Co-ordinator Strategic & Economic Policy

**Hume City Council**
David Keenan, Director City Sustainability
Brett Luxford, Manager Economic Development
Peter Gaschik, Manager Strategic Planning
Michael Sharp, Assistant Manager Strategic Planning
Hayley Drummond, Manager Property & Valuations
Tim Mills, formerly Co- Economic Development Officer

**Moreland City Council**
Sue Vujcevic, Manager Sustainable Development
Daniel Murphy, Co-ordinator Economic Development & ESD
Ian Robertson, Project Manager Activity Centres

**Nillumbik Shire Council**
Andrew Port, Manager Economic Development & Support
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- ‘Melbourne Market Outlook’
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- ‘Melbourne Suburban Office Brief’
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  City of Darebin
4. Key Findings

4.1 Change in office markets

a. What brings change in office markets?
Developments such as University Hill are regarded as one of the most important catalysts for change in office accommodation markets.

‘Offices attract more offices, they almost conspire together to be there – the centralizing factor is important such as an office park.’
Peter Elliott, Spatial Analysis and Research Branch, DSE

Another factor is the decision by a large multinational to set up in an area which would otherwise be a foreign concept for developers.

Large multinationals are more likely to see input from the international head office on the location of a new office, than companies that are Australian owned. This can be a positive because those individuals will not tend to have pre-conceived ideas about locations and may be more prepared to consider locations on their merits and based on what they are used to elsewhere in the world. One of the best examples of this, referred to by a senior State Government interviewee, was the move of Johnson & Johnson to North Ryde Business Park some years ago, which acted as a major catalyst for that development. J & J had been accustomed to the campus style suburban office in many parts of the US and so it was a familiar concept for them, despite it being a very foreign concept for Sydney businesses at the time.

‘The Johnson & Johnson move played a big part in the early success of North Ryde. The company also needed a good combination of both blue collar and white collar workers.’
Darryl Whinney, Kodak

‘The North of Melbourne is well-placed to draw from a mix of labour, so the fact that it is not a wholly white collar environment can indeed be seen as a real positive for business park developments.’
Darryl Whinney, Kodak

In the North, the move of Kodak from Moreland to Yarra represented an example of head office input to the decision to choose the new location:

‘Our board decided where to go ultimately and there was overseas input from head office. A collective group decision was then made.’
Darryl Whinney, Kodak

A number of other interviewees for this project commented that they found this an unconvincing argument and that in their view, Kodak did not seriously intend staying in the Moreland or Darebin area.

**Recommendation 1:**
Develop strategies to seek and pursue potential multinational commercial office tenants as well as prominent State and Federal Government tenants.
b. How does office development take shape?
‘Office development is a result of a whole lot of decisions over time.’
State Government Department Interviewee

‘In the past Melbourne had a very strong policy in relation to office location that made it difficult for businesses to locate in new areas. In the ‘80s there were only a few (20) District/Activity Centres, and development was refused outside those centres. Now we have 120 centres and it is so much more flexible.’
State Government Department Interviewee

c. The financial reality of small vs. big business tenants
‘In looking at the process for development of office space, we need to realize what it takes. Essentially a small businessperson needs to take twice the f1borspace of the big business to be considered in the same light. (by financial institutions).’
Geoff Underwood, Underwood & Hume

‘The experienced landlord can cope with multiple tenants, but for a green (inexperienced) landlord, it’s harder.

‘Bank financing is also a big issue. One big tenant is looked at very differently by the banks.

‘Many small businesses cannot compare with a single government tenancy and the financial security it offers.

‘The bank’s lending policies require benchmarks to be met and so with small tenancies they ask ‘What’s the risk?’

‘There is definitely a premium on Government tenants – they remain sought after.

‘The Commonwealth have the greatest requirements for their offices to be near transport, have good access and be in a convenient location, so it is usually at that level rather than in State Government that the opportunities will exist.

‘Government tenants are premium, secure, blue chip tenants.’
Geoff Underwood, Underwood & Hume

d. The link between population growth and office development is tenuous
‘The client for the office development is everywhere, the staff are everywhere.

‘There are differences trying to influence office development compared with retail. Shops have to follow the people, office development does not. Office development is footloose.’
State Government Department Interviewee

The message here is that population explosion in a region in and of itself, does not necessarily lead to demand for and supply of office accommodation. Wyndham, Melton, and Casey-Cardinia growth areas, in addition to Hume and Whittlesea, make it very clear to the State Government that this is the case.

However it is important to promote the reality that a well-placed, quality office development in the North has the advantage of being able to draw from a workforce of approximately 700,000 people across a band from Sunbury and Gisborne and areas closer to the West, right through to the North East.

Recommendation 2:
Promote the reality that a well-placed quality office development in the North has access to a workforce of approximately 700,000 people across a band from Sunbury and Gisborne and areas closer to the West, right through to the North East.
4.2 Breaking out of the Catch 22 - no office accommodation

a. The need for catalysts
Developers overwhelmingly still see the North as a risk when it comes to office accommodation; not a safe bet for investment; based almost exclusively on its lack of an established reputation as a location for office and commercial developments. Breaking out of this Catch 22 is critical and University Hill creates the first opportunity to do so.

‘Inertia is an issue - it’s always business as usual: established market, accepted product. On the whole, developers are conservative. They will jump on the bandwagon only once they see it demonstrated that you can make money out of it. They stay with what they know.’
Peter Elliott, Spatial Analysis & Research Branch, DSE

At every opportunity, it is important therefore to demonstrate that money can be made out of office developments in the North. If University Hill makes money, it will present just such an opportunity. If other developments emerge around the airport, they should provide a similar opportunity.

b. University Hill the test case - promoting its success will be essential
University Hill is seen as the first such test case for the North. University Hill planning is going well and the development is selling well. Now all eyes will be on its tenancy rates once it is established. Promoting its success will be important and it would be most valuable for this to be done by parties other than those with a vested interest in reassuring the market that it is doing well. Third party endorsement of the success of University Hill would be valuable.

University Hill so far has not only revealed few differences with the experience of office development reality in the South East but instead the response has been beyond that for the South East. So, far from confirming fears and myths about office development in the North, instead it reveals an equally successful formula.

‘Close to 50% of the office suites in University Hill have already sold off the plan and construction is due to begin in January 2007. The response has been way beyond/ greater than our expectations - only 20-30% are usually sold off the plan in other similar developments elsewhere, even when the surrounding amenity is just as good.’
Tim Grant, Colliers (Commercial), joint agents for University Hill

‘The good sales for University Hill are down to a lack of supply and opportunity in the area and a lack of investment in the area.

‘They have been all purchase deals so far. About 50% of the buyers are investors and they are smaller syndicates or individuals.

‘Owner - occupiers are making up the other 50%, so they intend to move into their own office afterwards. They tend to be people such as finance brokers, accountants and are typically buying 200 square metres or so.

‘I would say all the buyers live within a 5km radius of the park. This is typical - in keeping with the 5-10km radius found elsewhere in Melbourne. These people want to invest and work close to where they live.

‘Investors are looking to spend around $200,000 for these types of purchases.

‘The market is so used to the East/South East, but the infrastructure and retail components around University Hill are important components in why it is doing well.

‘We have now sold 14 out of 29 suites and prospects are still quite strong.

‘Formula for the sale is pretty basic, quality development in any area will go well as long as it has enough amenities and is done well.’
Tim Grant, Colliers (Commercial), joint agents for University Hill
A major developer interviewed for this project says:

‘University Hill is the best example of what is needed in the North. It has first mover appeal. Michael Buxton (at MAB) is the kind of developer who will take that kind of risk.’

Major developer

‘Developments like University Hill do help other developers have the confidence to plan but it is still about pre-sales and the cycle of who’s going to commit.

‘MAB at University Hill was widely seen as pioneering.

‘There must be demand for more University Hills but how many can you have? You have to have courage to be a developer of these kinds of projects.’

Geoff Underwood, Underwood & Hume and former Executive Director of the Urban Development Institute of Australia

**Conclusion 1:**
Promoting the success of University Hill is one of the most critical outcomes of all in triggering greater confidence in office developments of this kind across the region.

**Recommendation 3:**
Those involved with University Hill should do everything possible to support the success of this development, given its importance as a catalyst.

**Recommendation 4:**
Third party acknowledgement of the success of office tenancy of University Hill will also be important when the time comes, to address concerns that its success may only lie in the sales of offices.

c. Siemens and University Hill

Siemens’ David Sinden presented a range of reasons why the company agreed to move to University Hill:

‘There were two big drivers -suitable land and being located close to key customers and the workforce so we wanted to stay to the North. We looked in the area between Epping and Broadmeadows. We preferred a North East location. We didn’t want to lose staff.

‘Our key customers are car manufacturers. The Northern Ring Road was important for us. Land prices are less of an issue but availability was important.

‘We wanted room for expansion and planning. Future prospects for the land are also good.

‘It’s really customers and workforce and image does play a part if you want a reasonable standard of design and presentation as we did.’

David Sinden, Siemens

**Recommendation 5:**
The Siemens case study is valuable and should be promoted along with the University Hill story.
4.3 The pre-requisites for office accommodation

a. Corporate image factor

One of the key decision criteria for most office locations is the corporate image presented by their location. This factor offers plenty of scope for the Councils of the North to make a difference: there is a lot more that could be done to enhance the streetscapes and image of some of the major activity centres in the North. The perceived lack of physical amenity and inappropriateness of many locations is mentioned time and time again.

Dandenong is embarking on a major enhancement program called Revitalising Dandenong and this is receiving positive feedback from commercial agents such as Jones Lang La Salle. A program such as this may be worth serious consideration for the parts of the North where local amenity is of most concern.

Broadmeadows is a designated Transit City under the Melbourne 2030 Strategy and significant work has already been undertaken by Hume City Council to set the vision for the precinct and to establish a quality amenity in the area. The work already undertaken includes the Proposition 3047 design competition, the design of the Town Plaza and the construction of the new six storey administration complex for Hume City Council.

‘The Revitalising Dandenong project is expected to improve the precinct’s ranking in the key criteria of local amenity, local corporate identity and building quality in the medium to long term.’

Nerida Consibee, Jones Lang La Salle from ‘Localised Pain, Overall Gain - What is Happening in Melbourne’s South East Suburbs?’ September 2006

‘We are a modern, digital company so we need to also suit that image. We needed almost a shop front feel, an upfront corporate positioning. We do have showrooms and it’s no use to us being in the backblocks somewhere having to pass a rubbish tip to get there, when you’re demonstrating a few million dollars worth of modern equipment – it is too incongruous.’

Darryl Whinney, Kodak

Recommendation 6:
Where there are substantial physical negatives in streetscapes and settings intended to ultimately become key office locations, consider pursuing revitalization programs.

b. The importance of amenity

‘For the modern day office worker, offices have to be a nice place to be. Some years ago, the high end office worker decided they wanted amenity and were prepared to change employers to get it. This applies equally to offices that may be set up in the North.’

Senior State Government Department Interviewee

While consideration of office developments tends to focus on the demands of white collar workers, a number of interviewees issued a reminder of the importance for many businesses of being able to attract a mix of skills and both white collar and blue collar employees as well as specialists.

The lack of amenities within the more industrial areas can also limit the ability of these areas to provide adequate servicing for the mix of blue and white collar staff that is found in many businesses.

‘We have to go to Ivanhoe or Greensborough to take business clients to a good quality restaurant and this takes 20-25 minutes each way. We could do with those amenities close by as when there are office staff on site it goes hand-in-hand that they would seek out those types of restaurants.’

Andrew MacKenzie, Origin Energy Asset Management (OEAM)

Recommendation 7:
If the Council or the State Government intends an area to become the site of offices, support all measures aimed at improving the amenity of the area and promote those amenities in the area that are of a high standard.
c. Multimedia requirements must be met
   "Telecommuting centres? Broadband speeds? Pyjama workforce? All of these things must be considered and areas of the North intent on office accommodation must be able to offer what is needed to do these things.

   "Work is a social environment as well. In Europe, in some cities, WiFi capacity is everywhere.

   "WiFi enabling is important because it allows a free form café style office space and could generate demand for multi-user office spaces.'
   Peter Elliott, Spatial Analysis & Research Branch, DSE

Multi-user office spaces, combined with virtual office capacity, is another way to increase tenancy of good quality office spaces where small businesses may not have the need or the dollars to afford a full-time quality office space.

Recommendation 8:
Councils within the study area should take every possible measure to provide an environment with maximum access to the latest communications in any area where offices are sought.

4.4 Zoning to reduce developer risk
a. Preference for flexible zoning
   "We prefer the flexibility of the Business 3 zone, industrial/commercial. For developers zoning flexibility is the key because it’s about risk.

   "It is rare to have flexibility of zoning and if it doesn’t fit the grand picture of how the planners see the area developing... (you can forget it, is the underlying message) Major Developer

   "I could count on one hand the number of properties that the Government has rezoned in Victoria in the last 10 years. The combination of local and State Government bureaucracies mean that a developer has to factor in a 3-4 year wait because the planning hierarchy want the concept of planning strategically for an area.

   "The Urban Growth Boundary that was imposed by the State Government more than 5 years ago, moved the boundary to include the UGB but 1000 hectares of land is still waiting to be included officially so that developers can proceed.

   "In the Western zone, we’ve bought land there and expect it will take up to 3 years for the rezoning to come through. DSE and the local council think it should be zoned industrial but there are processes!

   "The cost over the three years is the cost of time.

   "No longer can a Council consider planning rezoning, it must go to the State Government.

   "According to 2030, the land we have will be in an Activity Centre but in 3-4 years we believe it will be rezoned.

   "The Councils need to think: “What do we, the developers, need to encourage us to do offices?”
   Major Developer
`University Hill is a good example of change happening. Other municipalities have to be prepared to take an innovative approach such as the City of Whittlesea did with University Hill, accept the office market does need change and be prepared to be innovative in a zoning sense.

`University Hill is innovative in its zoning approach because of the faith placed in the developer to deliver and the freedom to go and search for something that's different. They would otherwise have had something developed there that was just dull and pedestrian, as you see in areas with a simple Industrial 1 zoning - that is a standard zone that leads to standard industrial use, with the zone anticipating factory and light industry only.

`The status quo in zoning does not allow for innovative uses.’
Geoff Underwood, Underwood & Hume

b. The need for provision for alternative uses

In suburban areas where office development is not well established, developers look for an environment where they will have an exit strategy if one is required. This is something Councils should be aware of. Developers look for a Council that will be prepared to assist in zoning and approvals that will provide a level of flexibility that will allow provision for alternative uses if an office development does not proceed according to expectations. This means it is important that the planning scheme for the land provides for a range of possible uses for that land.

`With Cheltenham, we have an exit strategy. It is a 4500 square metre corporate office building development and it is suitable for multiple users or a single user. So we are taking a punt on that. We own 6.5 hectares of land there and we're building on less than one hectare. So a range of other uses could be possible for the land.

`We could still get it wrong but we can change plans if we need to and it will come out OK.

`In Toorak Rd, there is a public use zone we can apply for any type of use. We bought it for Australand. We currently are considering a homemaker site there but we have a fallback position, which is good for us.’
Major Developer

**Conclusion 2:**
The North is already facing multiple challenges in achieving increased commitment to office and commercial accommodation developments - it cannot afford to compound these through inflexible and unresponsive zoning.

**Recommendation 9:**
Councils could work with the State Government to fast-track planning scheme amendments where it will otherwise have a negative impact on plans for developments containing an office component.

**Recommendation 10:**
The Councils need to think: “What do the developers, need to encourage them to build offices?” and is there a need for flexibility in planning provisions?
4.5 The image of the North

a. One of the greatest hurdles

To many developers, the North is absolutely outside their realm of thinking on office development and is not a move they’d be prepared to make for fear of damage to their own reputation.

‘In this office, if I said I was planning a commercial office development in the North, I’d be laughed out of the office. We just can’t substantiate the demand.’

Major Developer

While this comment on the surface is one regarding demand, in fact it is also about the image of the North, that a developer could become a laughing stock for even daring to propose a Northern office park.

‘There is a stigma attached to businesses in the North. I’ve experienced it. People think you’re not such a professional company if you’re not in the CBD with the global engineering firms.’

Michelle White, Zektin Passivation Services

‘The North is seen as a place where businesses make things or move things. There really needs to be some critical mass (of good office accommodation) within several key areas of the North.’

Planning Consultant

‘The North and West are seen as dirty industrial areas and that reputation sticks and stays around for a long time. It affects the views of people who have the money and make the decisions.’

Peter Elliott, Spatial Analysis & Research Branch, DSE

There must be clear evidence of transformation of an area, not merely the Council’s belief in this, in order for this to be worth promoting. A reality check is needed on the image of certain areas within the North, to ensure the image of the area outside the region is fully appreciated and recognised, rather than the reality that is known to those closely involved with the area, who may for example be well aware that it is different from 20 years ago. It is important to remember that many areas may have changed years ago but those unfamiliar with those areas do not know that and would take some convincing.

One interviewee cited what they considered to be a good example of promoting an area beyond what others saw as the reality – when Melton promoted the slogan ‘World class living’. The interviewee saw this as such an over-claim that it was counter-productive as it had almost a desperation to it.

Conclusion 3:
There is a clear need to commence marketing campaigns and develop strategies aimed at changing perceptions of decision makers about the North. The challenge is to get past the slogan and convey the genuine strengths.

Recommendation 11:
Where areas of the North remain badly presented, initiatives should be taken by Councils to change that. Where transformation of an area has occurred, and there is clear evidence of this, the area needs to be marketed or its old reputation will simply remain due to the lack of knowledge about the changes.

Recommendation 12:
Do not try to promote an area beyond its current reality as this could be counter-productive.
b. Developers’ concerns

‘The focus in the North is heavily on industrial accommodation.

‘We’ve seen a much stronger demand in the South-East. We are looking at more land in the North but we need to be able to get a higher return on commercial, in order to develop it.

‘If it was my money, I wouldn’t at present put money into office or commercial accommodation in the North.’

Major Developer

While developers remain as implacably opposed as this interviewee, office accommodation may be some time off in the North. Yet this developer is keen to receive the outcomes of this study and is clearly beginning to take an interest in the possibility of an office market in the North. This reluctance is typical of most developers interviewed and it is that reluctance that will need to be overcome through a range of measures.

Conclusion 4:

Many developers have a great reluctance to consider the North seriously for office development. This reluctance needs to be overcome through a range of measures.

4.6 Testing the waters

a. Is it too early for offices in the North?

The developer of the Northpoint Enterprise Park in Epping has been considering this issue, as are many of the developers interviewed for this project. Northpoint is an area of 125 hectares and extends from Cooper Street, Epping. It is directly on the North side of Cooper Street while the future Melbourne Wholesale Market will be on the south side.

‘We are definitely wanting to include office accommodation there but Epping had been slower. It is very difficult to anticipate the demand. Profile is an issue.

‘The decision-makers haven’t been attuned to the North.’

John Purdey, Northpoint Enterprise Park

‘There’s a market out there – untapped, but we’ve felt for a while it’s been too early. Once the Wholesale Market is set up, we’ll know. There is no prior history of office in the area, there’s nothing similar to go on.

‘There’s only one office development of a high quality so far (University Hill) and so there must be room for another – we understand that there must be room for more.

‘We realise there is an office market out there and it’s just a matter of when it turns up.

‘The Northpoint Business Park is going to develop medical suites as we feel it is ideal for servicing the Northern Hospital and we have identified that need.’

John Purdey, Northpoint Enterprise Park

Many of the developers interviewed for this project expressed at least some residual concerns regarding the prospects for office and commercial accommodation in the North, yet there was a very high level of interest expressed in the outcomes of this project. There was a sense that they were circling, watching, considering the North, but looking for reassurance.

‘We are having just a preliminary look at a site in Darebin at the moment, but that’s all. We think ‘Do we want to take a punt there or not?’ And so we will investigate it.’

Major Developer

Conclusion 5:

A common theme emerging from this series of interviews is one of a range of developers who are wary and sceptical about prospects for office and commercial developments in the North, yet they are circling, watching, considering. The challenge for NORTH Link/NIETL and its members is to achieve a conversion of this interest to commitments.
b. Higher level of willingness to consider the North
’We looked at PANCH and we bid for Pentridge but we didn’t win those.

’We also bid for the Kodak site but we were not planning for pure office, only office warehouse. Office wasn’t part of the Pentridge development.

’We looked at the Goodyear site but we were concerned about access to the site.

’Improving High Street, by widening it, would probably be helpful and adding rail crossings.

’We will be bidding for the Melbourne Market relocation. We expect it will generate more opportunities for office and commercial accommodation. We have to be comfortable that we have a chance of making a profit and taking a punt, with flexible zoning. Industrial 3 would be OK, but Business 3 is better.

’The development industry puts money in and takes real risks. If you looked at the District Centre policy and if it had been followed strictly over the years, you wouldn’t have Chadstone, you wouldn’t have Highpoint. Sometimes the policies work well, for shops and dwellings above shops, and helps concentrate people, but it doesn’t help concentrate offices.’
Major Developer (1)

Conclusion 6:
This developer’s comments reinforce the reality of the office accommodation issue for the North - it’s a hard sell to convince some of the most important developers and it’s an issue that needs all the backing it can get to allay concerns and get these tough decision makers over the line.

c. Testing demand
Another major developer is currently looking at an opportunity in the North West of Melbourne.

’We see it as an opportunity in the North, not massive but it’s there, because there hasn’t been much in the North. There is a fair bit of residential development and there is a need for an office park because there would be enough tenants that want to and need to be there.

’We would envisage it being a high-tech building with high office component such as are currently in places like Bayswater and Mulgrave.

’In the North West, at places such as Thomastown, they don’t want to travel a long way into the city, and they instead want to be able to drive to an accessible area and park even in Moonee Ponds.

’We see an unmet demand in the North West and we envisage establishing a small site to test that demand.

’If there’s enough business there, great. We would aim for some of the service providers, such as VicRoads and others, who don’t need to necessarily be in the CBD. We will be liaising with Government.

’There is a need for the integrated type of office development in the North West. There is a huge population in the area and we need to tap into that residential precinct.

’We are a conservative company. Our company bought what is now a prestigious Sydney business park when it was more of a pioneering buy.

’We think there are exciting prospects for the North West of Melbourne.

’We want to test the depth of the market and will stage it. It will be a very big test case.’
Major Developer
4.7 Office developments outside the North

“We are involved with the South Eastern Business Park in Mulgrave. We also have involvement in smaller centres in Camberwell and Hawthorn.”

“These locations are developed because senior management live in the area. Mulgrave also has access to a highly skilled workforce and sales reps associated with the businesses have easy access to the city. The occupiers of our Mulgrave site like to be very close to the freeway.”

“We have done a lot in the North, but it has been in retail and not in office/commercial accommodation. It is not easy to get to the North. I generally allow about one hour to get to the City of Whittlesea. The South-East is more accessible.”

“The Northern Ring Road has improved access though.”

“We are developing a site at Cheltenham and that immediate area has no history of office development so it is a bit of a leap of faith.”

“We don’t go after smaller developments, we are not interested in those of less than $20 million. The project needs to be that size overall. Cheltenham is $80-90 million overall as is Mulgrave.”

Major Developer

4.8 Tenuous link between industrial and office

There was a strong message from a number of interviewees that the issues of industrial and commercial accommodation should be kept clearly separate in this study, because evidence that is already well accepted, of industrial strength and growth in the North, is a very different matter altogether. This is not to deny the fact that office and commercial accommodation requirements for Business Services to support industrial development do also occur and that there is at times a link between interest in the industrial strengths as well as in the commercial strengths of an area, but this cannot be seen as a key strategy in its own right. The West provides ample proof, as several interviewees said, that strength as an industrial base does not necessarily tend to lead to office and commercial accommodation.

“Industrial bases in the North are solid, but any link to office accommodation and demand for commercial accommodation is tenuous.”

“Industrial has a solid backbone in the North – it is not a matter of creating a new science there. Commercially it has always been the poor cousin of the East and Southeast.”

“The residential values of the North are changing though and there are now a lot more middle class white collar workers in the area. I live in the Northern suburbs myself.”

“It is important to not the blur the line in this research project between commercial and industrial – there is a need to separate the two in the study and in the story that follows.”

David Butera, Colliers International (Industrial)

Recommendation 13:
Do not seek to promote the office and commercial strengths of the North through indirect links to industrial strengths as an industrial base does not necessarily provide the basis for office developments.
4.9 Matching services infrastructure to potential business development

‘Origin has a lot of interest in the growth areas. It is important for us what is happening business wise because we need to be able to supply gas through mains that are of the right capacity. There are sizeable mains in parts of the North.

‘We try to direct employment zones to the best place for gas – and of course the developer also needs access to good water and sewerage services, so they look at all of these things.

‘Places we therefore favour as they are well set up in terms of utilities are: Plenty Road, High Street, Bell Street, part of Cooper Street, while parts of Yarra present issues for us. Burgundy Street is OK, as are parts of Moreland and Coburg.’

Andrew MacKenzie, OEAM

4.10 Why econometric studies suggest limited office demand in the North

This study considered the question – does this mean there is no demand? Or are there valid reasons why such demand does not show up in these econometric studies?

‘I don’t think the economists are in touch with the real world enough. I don’t know why the economic studies don’t show the demand. It is clearly a brilliant transport hub around here, and very much the connection into Melbourne is through the North. Access is excellent, and there is easy access to the city.

‘Economists need to revisit why they are not able to reflect the demand. The skilled workforce is available to businesses which locate here. Yarraville and Footscray are areas where heavy industry is reducing and the CBD is still the commercial hub as a lot of businesses want to be in a high status location.

‘Here it is more likely that we will see the 2, 3, 4 level office buildings, with a small office component, but there is such a shortage of high quality office accommodation.’

Andrew MacKenzie, OEAM

‘Economic studies are inherently a backward-looking exercise.’

Craig Shepherd, Author of Growing Melbourne’s North Report

‘Forecasts tend to rely on looking backwards more than forwards.

‘We know the corridor well and have traded there for 5 years and know the issues, the pressures. We think it’s a corridor which has been constrained in terms of land supply. Most of the other corridors would have a lower volume of housing starts now than 10 years ago. The figures for this corridor have been different.

The figures are under-represented due to the land supply constraints.

‘So the untapped potential in the marketplace for this Northern corridor is significant. We are still selling 25-30 lots a month in Craigieburn, so these are strong figures. It is partly an affordability issue.

‘If other zoning is not allowed then there’ll be a lot of pressure on Wallan and Beveridge, so Mitchell will have to develop a bigger servicing area at Beveridge anyway.

‘Hidden Valley at Wallan is starting to help change the image of that area.’

Duncan McLellan, Lend Lease

Conclusion 7:

Provision of information on the reasons why the economic data doesn’t always stack up well for office accommodation in the North is an important starting point: the lack of historical patterns and the outdated nature of the last Census data.
Moving ahead of the data
‘At a certain point, developers will move to an area ahead of the data but all the other aspects must be in place.’
Major Developer

Moving ‘ahead of the data’ is a major concern for big developers and the strategies arising from this study need to include those aimed at providing additional information in order to provide developers with the confidence they require in order to ‘move ahead of the data’.

This is important because the data will not be likely to support office accommodation potential in the North for some time yet, especially considering likely timelines for full Census results and analysis to emerge.

‘Right now, office is an unknown for us, we haven’t yet sought to investigate this, (for a site in Northcote) but we think that it would be likely to be localized demand.

‘The lack of ability to quantify office demand makes it hard to have confidence in doing the development of offices in these areas.

‘The demographics regarding housing, population change, are much clearer, though you never know fully until you go to the market.’
Geoff Underwood, representing the developer of a key site in the Northcote Activity Centre

4.11 Why choose the North?

a. Population growth
‘The population will be here; people will want employment in the region where they live. There is a good demographic range of population and a range of employees to choose from and increasingly so.’
Andrew MacKenzie, OEAM

b. Ability to service domestic and international markets
‘Siemens are moving to Plenty Road (to University Hill). A good proportion of that development will be offices servicing both domestic and international markets as well as larger commercial clients and some high-tech.’
Andrew MacKenzie, OEAM

c. Training facilities
‘NMIT and RMIT provide strong opportunities for trade training in the area.

‘With skills shortages in the workforce, there is a huge investment being made by companies such as ours, to address the need for more skills-based training as there are very big difficulties getting hold of staff with particular expertise, right across Melbourne, not just in the North.

‘There are implications for the location of businesses because of the trades shortage, there is a larger base of potential tradespeople in the North than in some parts of Melbourne, so businesses that may require a mix of accommodation for office staff but also a suitable logistical base, would do well to consider the North. We can get engineers OK here but we’re looking for the elite tradespeople, especially in gas. We are putting forward a lot of money to train those in the high level skill sets.

‘We’re paying people travel time to go to Fairfield, Ivanhoe and elsewhere because they are more mature markets and we simply cannot get the tradespeople in those areas.

‘The Ring Road and the Craigieburn bypass are making it much easier to access this region. I come from Gisborne to here and it is very accessible.’
Andrew MacKenzie, OEAM
d. Price of land
In considering differences in favour of the North, one is that land remains comparatively affordable - compared not only with the East but also with the West, as well as compared with other cities.

‘In South Australia, we sold our inner city property and went out of town. The average price of land here in Thomastown is very low by comparison with Adelaide as well and certainly by comparison with Sydney.’
Andrew MacKenzie, OEAM

e. Why come to the North rather than the East/South East?
While many interviewees believe it is best to keep a clear distinction between the strengths of industrial developments in the North and the need for office and commercial accommodation, others feel the same strengths that apply to the area for industrial businesses, can become strengths for office and commercial.

‘Workforce; price of land; accessibility to all transport; accessibility to Sydney for goods and services; access to the airport and to the Port of Melbourne. For all these reasons it is much better than Adelaide.

‘The price of land in Sydney is so astronomical. To the North East of Sydney there is beautiful, well-planned land in established industrial and business parks but the dollars are huge.

‘Brisbane is just not as suitable for us. There is some regional competition - from Geelong, Ballarat, Bendigo but some are not real competitors if they cannot accommodate B-doubles.

‘Here we are also close to the transport hubs of Shepparton and Albury-Wodonga. B-triples are only allowed through the North of Melbourne.

‘There is a real shortage of quality office space in the area. We have 150 office staff here at Thomastown and we have recently had to extend.’
Andrew MacKenzie, OEAM

Another interviewee referred to the need to promote that coming to the North could produce advantages and not simply be equal to being located elsewhere.

‘You have to convince them that putting business there is better for business. If it’s a zero sum game then there’s no point. Everything else has to be better. No worse for them personally but the business side has to be better.’
Brett Miller, National Public Affairs Director, CPR Communications

f. Does the North ‘have it all’?
The Regional Manager for DIIRD for the North and Western regions, Michael Hedt, was previously based at the Dandenong office in the outer South East. He comments that people in the outer South East can clearly see what the North has to offer in order to attract development.

‘When I was in the South East, they’d say “the North has it all.”

‘They see the following advantages for the North: the road to Sydney, the airport, the docks’ access, the Ring Road, good roads ‘
Michael Hedt, DIIRD

‘I would say there’d be the demand, especially when the major companies want to be tied in with the Ring Road and there is more and more demand there.

‘The old RMIT site is starting to collect quite a bit of interest – you have the airport close, the Ring Road is close, freight can easily access the area from the wharves and from the airport and highways.’
Andrew MacKenzie, OEAM
4.12 Views on the EastLink effect

‘When EastLink opens up I think that will be a positive for the North but the connection to the EastLink is going to be critical.’
Andrew MacKenzie, OIAM

Another interviewee commented that pressure will inevitably begin to be applied for the joining up of the EastLink to the North and that the Government would start to hear ’Join it, join it.’

There was a range of opinion expressed regarding EastLink with some considering it a positive and some a negative.

Recommendation 14:
The northern region through NORTH Link/NIETL and the seven Councils should consider becoming early proponents in seeking to begin the early discussions on the need to join the North to EastLink.

4.13 Understanding the North

a. Need to understand the North

‘There is a lot of courage necessary in land development. You must also have an understanding of your locations.’
Major Developer

The need to truly understand the North is immense, yet few developers seem to have any in-depth understanding of the North, beyond the basic figures they peruse from time to time in various reports. While there is solid awareness of the great industrial benefits of being located in the North, there is little understanding what drives much of the North in terms of people’s desire to live there, types of housing, range of skills, preferences for lifestyle and other factors.

There is a critical need to expand the level of understanding of what drives the North and who lives and wants to work in the North, with a greater focus in fact on the various parts of the North and the characteristics of each.

‘Jones Lang La Salle recommends that developers understand the local areas and be selective in terms of location.’
Nerida Consibee, Jones Lang La Salle from ‘Localised Pain, Overall Gain - What is Happening in Melbourne’s South East Suburbs?’ September 2006

A number of interviewees suggested that it may be most beneficial for the North to start to promote the varied positives and differentiating aspects of the region, rather than any attempt to promote it as one homogenous region, which could be counter-productive. By fostering greater recognition of the differences and strengths of various parts of the North and developing the image of those areas, there is the ability to break down the image barriers over time.

Recommendation 15:
There is a critical need to expand the level of understanding of what drives the North and who lives and wants to work in the North, with a greater focus on the various parts of the North and the characteristics of each - demonstrating that the North is not one homogenous region.

b. Perceptual impact of phrase ‘the North’

Several interviewees believe the University Hill location will become known as just that and will not be described as ‘the North’. They note that it will be likely to do best (and is no doubt currently) positioned as ‘University Hill’ even if it tends to be seen as ‘not really the North’ - ultimately that does not matter, what does matter is that such developments proceed, so if creating their own sense of location helps this, then it is something to be actively fostered.
The airport presents the other such major opportunity. A number of interviewees, including a senior Government interviewee, commented that the airport is no doubt seen as 'the airport' and 'not the North'.

**Conclusion 8:**
Fostering promotion of locations within the North, (primary among these is 'the airport') will help to gradually chip away at the overall image issues.

**Recommendation 16:**
If it is the words 'the North' that are part of the problem, then reduce the emphasis on this location description and instead, promote the assets of the North through a focus on pockets and locations within the North which have their own appeal.

c. The wealth of Melbourne within the North
The level of wealth within parts of the North is often overlooked, perhaps due to the lack of wealth in other pockets of the same region, but as one Government interviewee pointed out:

‘The wealth of Melbourne follows the Yarra and always has. People understand that there is wealth in the inner East but don’t realise that it actually follows the Yarra. This is significant for the North of course because the river runs through a good part of the North East.’
State Government Department Interviewee

**Conclusion 9:**
An office based in the Northern region could naturally draw its professional employees, executives and skilled labour from the North East as well as other areas. Equally the wealthy North Eastern areas offer plenty of lifestyle and housing scope for a CEO or senior executive who wishes to be located near his/her office.

d. Who chooses to live in the North and why
Estates such as Springthorpe in Darebin; Canterbury Hills and Emu Bottom in Sunbury; are just some of the estates with a high proportion of higher priced land or house and land packages.

An important question asked throughout this research was ‘Who is living in the many elaborate houses of the North?’ and as one interviewee said:

‘They are certainly not all concreters and drug dealers, as many people from outside the North would have you believe.’
Brett Miller, National Director Public Affairs, CPR Communications

‘In the North, those who live in the area seem to like the ambience and consider it a good place to live.’
Andrew MacKenzie, OEG

There are also very often family, multicultural, religious and other connections to the North among those who wish to remain in the area even if financial means would enable them to build and live in a more typically prestigious part of Melbourne.

Dennis Peucker of Townsend Homes says: ‘Mostly our home buyers are professionals, doctors, teachers, engineers, they have a wide range of skill backgrounds.

‘We know that our buyers deliberately choose to buy in the area because of the more relaxed lifestyle, more traditional lot sizes that are much bigger than they can get in closer to the city. They also buy here because of the excellent access to freeways and the travel times are good. In and around the Ring Road is the area in which they tend to work.

‘Townsend Homes is mainly involved at present with estates in Sunbury and Gisborne - Canterbury Hills in Sunbury in Hume and Jackson's Creek in Gisborne in the Macedon Shire area.'
‘Our land and home packages commence at $500,000 and go up to $1.4 million. Our allotments range from 600 square metres to 1500 square metres and our homes tend to be around 450 square metres in size (about 50 squares in the old terms). They are what we describe as icon homes.

‘Most buyers are into investment and are either local or from overseas. Many of our buyers come from China, Dubai, and elsewhere. We also offer a business migration service as well as assistance with setting up businesses here so these aspects are part of the service we offer – a one-stop shop.

‘We have quite a few CEOs, senior executives and skilled workers from the airport among our home buyers. A good number of them want to be in close proximity to the airport.

‘The view of ‘Who’d want to live in the North?’ does not reflect an understanding of the fact that these people want to be living in close proximity to the airport and this is a big plus for our overseas businesspeople.

‘They quite like the Northern suburbs, they like the sense of freedom and the close proximity to the wineries, to Macedon, Daylesford, golf courses and those sorts of things.

‘It also offers them the chance for the sense of prestige that they are seeking – the size of the house is a reflection of this for many and it is important to them that they do not have to be confined to smaller land sizes in other parts of Melbourne, such as the East. Other measures of prestige include elevated blocks with prestigious wide frontages, such as they are able to get at Canterbury Hills.

‘The number of bathrooms is also important for some, for example they like to have 4-5 bedrooms and 4-5 bathrooms and we know they like to have the room sizes much bigger and the ceilings higher.’

Dennis Peucker, Townsend Homes

Conclusion 10:
Family, multicultural, religious and sporting connections to the North are among the range of factors involved in the decision to live in the North by many highly skilled professionals and very wealthy businesspeople. These aspects are not well understood outside the region.

Conclusion 11:
Many developers, who typically live in the inner city or East or South of Melbourne CBD, cannot understand why anyone would want to live in the North and can certainly not understand why anyone would want to work in an office there. This is a real barrier.

Recommendation 17:
Strategies should be put in place to increase awareness of who chooses to live in the luxury homes in many of the new estates in the North and why the residents of these homes have chosen the location and often, the lifestyle.

4.14 Cultural aspects of life in the North
Townsend Homes specialise in catering for the cultural preferences of overseas businesspeople wishing to live in the North.

‘Our Chinese buyers are very much into their feng shui and a lot will have their feng shui master go over the property to confirm these aspects – and our architects also know very well now how to cater for this - whereas our Indian or Dubai buyers will look for more bathrooms.

‘Our operation runs from mainland China, to Singapore, to Malaysia, India, Dubai. We have been operating from some of these areas for 12-14 years.
‘Our Malaysian, Chinese and Singaporean buyers all tend to see feng shui as being important and would never buy a block on the low side of the road, only the high side. Our architects work in with them closely on design issues and we build to this purpose and we are very particular in responding to their preferences.

‘They could afford to buy anywhere - they are very rich, but they like the fact that we can provide them with exactly what they want and have the whole package purpose built to meet their requirements and we know them well and respond well to their wishes, through our in-house architects.

‘They also prefer that their offices too are built in a way which is mindful of feng shui and their other preferences. They prefer this in their work environment too, not just in their homes. They need to get across the cultural requirements, it is a matter of business being more responsive to the cultural requirements of these businesspeople and professionals.

‘Primarily we’re housing developers, but we are now starting to look at offices elsewhere (as an extension of their cultural expertise in buyer preferences).

‘We have permanent staff in China and Singapore and a high percentage of our buyers are Chinese.

‘A number are from a Muslim background although the numbers are minimal so far. But we think this is going to change. In the past their children had tended to go to the US or the UK to be educated but now they do not feel welcome there and so they are more attracted to what they see as more tolerant countries in Australia, Canada and New Zealand.

‘We are now looking at pushing further abroad into Pakistan. I have just spent 3 weeks there and I was surprised at the interest I found.

‘In terms of the religious beliefs of our buyers, quite a few are in fact Christian Chinese as well as Hindus or Sikhs from the Punjabi area. We also have a mix of Indian Malays and Chinese Malays and not all have specific religious beliefs.

‘We mention to our Sikh buyers that there is a large Sikh temple being built in Craigieburn nearby and they are so impressed that we know this.

‘You really need to operate in these areas (in the North) to understand them and to recognise the multicultural issues too. The perception of people who live in the East and South - and I myself live in the bayside area, so I can speak from personal experience - is that no-one would want to live in the North, but now I understand that most of the people who live in the North and the West do so by choice and love it here and have always lived in the region and would not move to the East in a fit.’

Dennis Peucker, Townsend Homes

4.15 CBD as a competitor

A number of interviewees felt that the close proximity of much of the North to the CBD of Melbourne in fact may be one of the reasons that little office development has occurred in the region, however a senior Government interviewee considered that this was not valid, because clearly some of the inner East office locations are also close to the city. This interviewee also referred to the fact that the very successful Chatswood office precinct in Sydney is only 12 kilometres from the centre of Sydney.

‘Proximity to the city is a clear advantage for the range of office locations in Yarra. Abbotsford, Collingwood, Fitzroy, Richmond, Brunswick, Collingwood.’

Peter Elliott, DSE

Conclusion 12:
The increasing availability of vacated office space in the CBD, due to moves to Docklands, has created additional competition for the North, with some of this CBD space being comparatively affordable.
4.16 CEOs and the North

a. Changing face of the Northern CEO

There is almost no understanding of what might be called the changing face of the Northern CEO. The many factors that create tight links between wealthy businesspeople or highly skilled workers and their wish to live and work in the North, are not understood at all by many developers and investors who have no experience of the North as a place to choose to live. In particular, they do not tend to think of this phenomenon being related to anything other than industrial business.

Musi Eideh is the Executive Director of Bluestar Logistics. He lives in Roxburgh Park and his business is right nearby in Somerton. He employs 300 staff, of which about 25 to 50 are skilled: with backgrounds in IT, accounts, finance, warehousing management. He is a very wealthy businessman and as he acknowledges, he could choose to live anywhere in Melbourne.

'I mix with the North, I am familiar with it. I like living in the North and I know a lot of people, families with kids, who live around here. Everything I want to do is in the area. My children play sport in the area.

'Everyone depends on their own environment as to where they live.

'There are real benefits here and there are some quite impressive areas now, and you are closer to the country life.

'Roxburgh Park I know has a range of people who live there, some are business owners, some real estate agents, car business owners, hotel owners, all types.'

Musi Eideh, BlueStar Logistics

'The children of the Northern migrants are getting degrees and wanting to get into the nicer houses and want to stay with the friendship and family networks – and many of them aspire to and do eventually end up owning their own businesses and many will want those businesses to be based in the North.'

Peter Elliott, DSE

An interviewee who represents a major office park developer acknowledges:

'More and more CEOs will want to live out there. The more a generation grows up in the outer North, where it was more blue collar, as skills increase, it will gradually change.

'The North is on the cusp of the change (but is ‘not there yet’ is one of the underlying messages).

'More and more successful businesspeople are coming from the North.'

'Hawthorn- type CEOs are not the target market for the North.'

Andrew MacKenzie, OEAM

Conclusion 13:

Strategies aimed at revealing to what extent the North is ‘there yet’ will be important.

Recommendation 18:

Strategies aimed at promoting far greater awareness of the mix of successful businesspeople who live in the North are necessary to address the lack of understanding of this facet outside the region.

b. Need to know as much as possible about who is living in the luxury homes

Most interviewees acknowledged that it is important to know who is in the luxury homes in the North. What sort of career do they have? What sort of businesses might they run? Where do they come from? Who are they? Why do they choose to live in the North? Essentially there is a need to more intensely examine these small but important pockets of housing to look at the characteristics of these occupants.
Another interviewee suggested the need to go further and examine how they perceive the area in which they live: Do they regard it as the North? Or do they see it as being a separate area? For example, they may see that their choice has been to live near the airport, rather than ‘in the North’. The findings from such a study could contribute to decision making on how to present and describe certain areas within the region.

‘There has certainly been a real increase in prestige housing stock in places like Craigieburn. We sold some land there recently for $300,000 just for the land and so that makes the ultimate package of house and land one that is upwards of $750,000.

‘In Greenvale many of the homes are absolutely huge.’
Duncan McLellan, Lend Lease

Recommendation 19:
Commission a quantitative study of key housing pockets within the North to obtain information on these areas that will not be revealed in the forthcoming release of Census data, including how those residents perceive and describe the area and why and how they came to live in the area.

4.17 Professionals and skilled workers in the North

a. Reassurance required on the skilled worker mix

With skills shortages a critical issue for business today, reassurance is required on the presence of skilled workers in the North and the mix of skills they offer. This is a primary issue due to the skewed perceptions that the North has few skilled workers. The results of the latest Census will be critical in relation to this and engendering greater confidence about the demographic mix of parts of the North.

‘The residential population of much of the North needs a greater mix – more white collar, a bigger base of high skilled workers.’
Major Developer

Recommendation 20:
Where Councils can support measures likely to lead to an increase in the proportion of their populations with higher levels of skills and professional qualifications, these steps should be taken, due to their importance in driving confidence in office developments.

b. Importance of the new Census results

All eyes will be on the release of labour market data from the latest Census.

‘This Census is very important for the North. We use the DSE population forecasts for the North (but these still have limitations). Because the North is not an established office market, you don’t really like hanging your hat on these figures (DSE), especially because they are ultimately based on the old Census data too.

‘The real question of the North (and West) has been the education standards and skill levels of the workforces there.

‘The 2006 Census results will be critical.’
Major Developer (1)

‘The socio-demographic profiles from the next Census will be important. We want to know where the managers are living.

‘Location of offices is very much about where the managers are wanting to live. It depends on who decides and skills availability. Workforce is not a big deal in itself.

‘Krupp were a good example. They looked at various office locations but eventually decided on Port Melbourne because the CEO was in Geelong.

Northern Exposure – an analysis of office and commercial accommodation issues in Melbourne’s North 41
‘There are real differences between the various residential areas of the North, whether it is Northcote, Preston or Clifton Hill.’
Major Developer (2)

‘With unemployment rates so low, you could think some business owners would want to tap into a relatively untapped workforce market in the North, especially when the workforce catchment is already in the realm of approximately 700,000 people. The population there, it is just the makeup of that population which is key. The quality of the white collar workers from the North is important. It is obviously not like the East and South East in many ways.’
Glenn Lampard, CB Richard Ellis

**Recommendation 21:**
When available, the most valuable new findings must be actively promoted to provide evidence of changed demographics and emerging patterns since the last Census. Such analysis must take in the characteristics of the entire band from which employees could be drawn - from Gisborne through to Doncaster, Blackburn, not just the seven municipalities in the northern region of Melbourne.

**c. Location suited to attraction and retention of skilled staff**

‘There needs to be a focus on the population who are living and want to work in the North and the workforce demographics here are certainly changing.

‘If staff are coming here to work they are going against the traffic. We have senior managers here who live in Essendon, Fairfield, Greensborough, Epping, Gisborne areas.

‘Coming here you can avoid the inner and middle suburbs if coming from any of those locations as there is good road access here, including if you’re coming from the Calder.’
Andrew MacKenzie, OEAM, current resident of Gisborne

When moving from Moreland, Kodak produced a dot map of where their staff lived and made their decisions on location options first and foremost based on where the staff lived. They found that those staff moving to the new site lived in an arc between Sydney Road and Burwood Road within the suburbs closer to the city.

Where it is anticipated that a company’s employees would be likely to come from areas within the band described above, the exercise of mapping location of staff to indicate suitable office locations is one which should be encouraged and suggested to those businesses concerned about the prospect of a location that may be too far from their employees. The intent of this representation is to seek to adjust the thinking so that it is not so narrowly prescriptive as to exclude those areas from which employees could reasonably be drawn.

**Conclusion 14:**
The North is well-placed to draw from a mix of labour. It is well-placed to draw from this diverse area as it can pull staff across from Manningham, Banyule and Nillumbik to the East through to Gisborne, Macedon Ranges and Sunbury in the West.

**Recommendation 22:**
Graphically represent the geographic band from which businesses in the North can draw and include this representation in marketing approaches. Include demographic data from the new Census results that reflect the strengths of employees within this band.

**Recommendation 23:**
The employee band as identified in Recommendation 22 needs to be actively promoted.
4.18 Risk and the North

a. Are risks seen to be associated with the North warranted?

‘Box Hill was initially seen as risky along Prospect Street, but really Box Hill was always going to be an acceptable location for offices.’

Geoff Underwood, Underwood & Hume

In many areas of development in the North, there have tended, for some years, to be concerns that developments were ‘risky’.

One example is the Springthorpe estate, in Macleod, developed by Urban Pacific. Project Director, Peter Hood had the following recollections:

‘We took a punt back in 1999 – it was such a good piece of land, hilly, in fact it was one of the highest places in Melbourne, and was close to prestigious areas such as Eaglemont and Ivanhoe.

‘It was seen by the company as a very good piece of land, and we held our nerve across the project.

‘The upper end price range that we envisaged for Springthorpe was seen as a risk at that time in that area.’

Peter Hood, Urban Pacific

Today the estate sells very well and there are only 100 lots left from the total of 650 and the market is second and third home buyers, with prices ranging from $550,000 to $850,000 for the land and house package.

As another interviewee says – everyone observing Springthorpe today would tend to say ‘Well of course it was always going to do well’ – yet that was not the perception by others initially.

‘In Springthorpe you find an average slice of Melbourne demographically rather than a trades based population, and we do get a lot of people from different cultural backgrounds. Springthorpe is one of the closest estates of its kind to the CBD, only 14 kilometres.

‘Buyers are a fairly aspirational group: successful small business owners, professionals, IT and medical professionals.’

Peter Hood, Urban Pacific

As mentioned earlier in this report, University Hill has also been widely seen by fellow developers as a gamble. One major developer referred to MAB, the company behind University Hill, as ‘the type of company and CEO that is prepared to take that kind of risk’.

‘University Hill is the best example of what is needed in the North. It has first mover appeal. Michael Buxton (at MAB) is the kind of developer who will take that kind of risk.’

Major Developer

‘I never saw this as a risky development because of the built-up demand. I did not see it as a risk ...because of the amenities being built with it, it helps us to sell the offices more easily.’

Tim Grant, Colliers (Commercial), joint agents for University Hill

In many areas of development in the North, there have tended, for some years, to be concerns that developments were ‘risky’. Results emerging from several such developments are now disproving this theory.

**Recommendation 24:**

In marketing materials, address the issue of perceived risk of developments in the North and provide evidence of outcomes that reveal the risk perception was over-stated.
b. Perceived rent sensitivity

Business owners from the North are widely perceived as being more rent sensitive with office accommodation than those in the East and South-East.

Interestingly, a Colliers agent dealing with University Hill has found no evidence of this at all and says prices are on a par with those for properties in the South-East.

'I think the buyers have been no more price sensitive at all – in fact you could say they are none the wiser when there is nothing comparable around and buyers have nothing to compare it to. It has been easier to sell than what we normally find and this is because of the pent up demand and lack of opportunity.'

Tim Grant, Colliers (Commercial), based in Mulgrave

'The risk associated with not achieving the rents is seen as great and potential occupants are seen as not being prepared to go out on a limb price-wise.'

Developer

'The North is a very different market up there. Typically the business developers are smaller scale and drive a hard price bargain on business accommodation. Getting the dollar return on investment is tough there.'

Major Developer

Conclusion 15:

It may be that rent sensitivity on office accommodation is more acute in pockets of the North, but it clearly does not apply in all cases and this study has found no evidence of any differential on office rent sensitivity compared with comparable business owners elsewhere.

Recommendation 25:

Concerns such as rent sensitivity should be addressed in a realistic way in marketing materials, to address the concerns that many do have about the North, while revealing some of the case studies available to date.

4.19 Campus style offices

a. Shift to campus style offices suits the North

There is considerable evidence that major offices are tending more and more to move to a campus-style of accommodation in Melbourne, and moving away from the skyscraper style of old to what is being described as the 'groundscraper'. Charter Keck Cramer is one of a number of commentators who have discussed this issue.

The consequence of this shift is to provide potential opportunities for parts of the North that have characteristics well suited to large floor space, campus style developments on greenfields sites, with no costly time delays from planning restrictions. In this regard, Whittlesea is seen as offering greater advantages than areas within the South East, where sites are now surrounded by other developments. The North also has the advantage of not requiring site consolidation as do many other traditional office park areas. Acquisition costs of site consolidation present barriers in some Activity Centres in the North as they do elsewhere in Melbourne.

'The growth in the number of business parks has largely occurred since the early 1990s. Some of this take up has come via traditional City Fringe and Inner East tenants being attracted to open work environments that provide sufficient and cheaper parking in purpose-built facilities. The disintegration of warehousing and administration uses over time has also underpinned new office development and reflects why Business Parks are often located close to large industrial suburbs.'

Charter Keck Cramer, July 2006

Recommendation 26:

The suitability of parts of Whittlesea (and possibly Hume) to campus style offices should be highlighted in marketing of the area.
b. Seeking a big tenant

‘Johnson and Johnson and Proctor & Gamble are campus style offices in the classic style, based at the North Ryde business park in Sydney. They are important case studies.

‘Approaching companies directly is ideal - look at their current growth and property portfolios. Go in early and give them a total solution with a special purpose built property on offer.

‘We could go to a tenant and do a deal of rezoning or rejuvenating the existing development. For example, the strata office might suit their existing needs.’
Oscar Guglielmi, Folkstone

4.20 Green potential

a. Haven for sustainable office developments

‘The North of Melbourne has some particular strengths in this regard. There is an emerging range of businesses that could be suited to it - to a green image of any kind.

‘Parts of Banyule are already identified as being quite green and progressive in terms of environmental awareness and there's Nilumbik also. So it is a combination of attracting staff and the likely match to businesses.

‘Moreland has some very clear indications of its support for sustainable businesses, with the Moreland Energy Foundation which provides advice to businesses on how to minimise their energy consumption.’
Alan Pears, RMIT & Sustainable Solutions

‘Suburban office parks can have substantial advantages in the way they can be constructed to save on energy costs. For example a campus style office park can have the windows open, something that is not possible in the CBD. Low rise buildings, water recycling, all of those measures are a lot easier.

‘Government tenants have a higher demand and set of criteria for these green elements too and as we are aiming to attract those tenants, we realise we have to respond.

‘Ultimately though, the energy savings save us money and that is why we do it and we are also able to pass these savings on to our tenants.’
Major Developer

b. Relevance to growth areas of the North

‘Sustainability does have relevance for potential office developments in the North because single purpose developments will eventually not be sustainable.

‘Our business philosophy is that when we say it will be a master planned community it would include a business centre, commercial spaces, not just houses. It will be a place where people can live, work and find other supporting services such as learning and health services. Even though we obviously don’t want to replicate all activities in each site, because that would be excessive, we want to create development that has context for the region and the access available to other supporting services in that region.

‘We need to focus on what we can bring about into that area and how to minimize the impact on the environment, the cost to the environment, how to minimize the environmental footprint. If we do not need to do it ourselves, we may decide to buy into a service, ensuring better use of existing resources first.’
David Brown, Regional Sustainability Manager, Victoria, Lend Lease Communities
c. **Greenfelds sites can offer added ‘greening’ opportunities**

‘Better use of land is what we’re driving at, for example we are investigating how we might be able to use the trenches beside roads to allow for capture of water. This would minimize impact and it is part of how we are thinking about how to acquire more water tanks, so we are thinking “well the space is there for other services so perhaps we can use that.”

‘The corridor context is important. The availability of land mass lends itself more to outer suburban areas.

‘Urban renewal can manage to include many things as well but it is in a different way.

‘Whittlesea does have greater potential and greater advantages as they have the land availability. In new areas for example, the water infrastructure is not there yet and this means you can explore inclusion of things such as water tanks at the early planning stages.’

David Brown, Lend Lease Communities

**Conclusion 16:**
The North is seen to offer great scope for development of sustainable office buildings. There are many reasons why parts of the North have particular advantages: in addition to Whittlesea having a range of sites that still provide the opportunity to integrate sustainability measures into new office developments; areas within Moreland offer great scope for retro-fitting older buildings and creating a funky, green office niche within suburbs such as Brunswick; and the ‘green’ image already associated with areas near to the Yarra River, provide further opportunities to capitalise on green attributes.

**Recommendation 27:**
The potential of parts of the North as ideal locations for green buildings is a major advantage and one that is timely and should be marketed immediately, given the rapid pace of increasing business interest in this matter.

d. **Changes in green building requirements**

The first issue is to understand the pace of change on green building requirements and then to understand how much this may apply and offer scope for opportunity for the North.

‘The first round of building regulations in the non-residential settings have now been put in place and we can expect more stringent requirements over time – and this is where the Green Star rating scheme comes in as it is tougher than Building Code requirements. Green Star rates energy efficiency on 8 attributes – based on the major dimensions of environmental performance.

Alan Pears, RMIT & Sustainable Solutions

‘Green Star is not a mandatory scheme – but can be used to show a good level of performance. The Victorian Government has issued a statement that it will only move into buildings that have a 4-4.5 star rating – so this has become an important driver for any developer wishing to attract Government tenants.

‘The C60 Amendment by the City of Melbourne requires all buildings over 5000 sq metres must also meet the 4.5 star requirement. 2010 is probably the earliest likely move to tougher mandatory restrictions, but given the Victorian Government applying regulations to its own requirements and Melbourne City Council too, it could be that individual councils also start to apply this.

‘A lot of councils are members of things like Cities for Climate Protection – so consistent with their greenhouse goals they want major new buildings to reflect these levels of energy efficiency.

‘Invesa is one major stock exchange listed developer setting the pace on green developments (and starting to take notice of parts of the North, albeit with some caution).
‘Investa make good money themselves, their tenants are saving money and doing well, it is good for their image.

‘The people who’ve owned those buildings have done really well out of them financially and 60L (a green building housing ACF and others in Carlton) has a waiting list and most are commercial tenants.

‘The image association with being in a green building is becoming an attractive factor – a status symbol. For bigger companies it’s about their Corporate Social Responsibility strategies.

‘If you’re a developer and you want your building to be future proof then increasingly the environmental performance of the building is a strategically important thing to do.

‘And on the defensive side, evidence is that the requirements from government building codes will become more stringent and some good financial and productivity gain can be achieved and energy costs are lower and as energy prices go up this would be important, especially if you are looking at, for example, a 30% increase in energy costs.

‘New green buildings are a differentiator at present but in the later stages, you’ll be behind if you don’t have one.

‘The other issue – even with the manufacturing sector – is that all industrial sites face mandatory greenhouse audits that are required of the large industries.

‘Measures are therefore already in place requiring industry to get serious about energy efficiency – all the evidence is that these requirements will eventually expand downwards to smaller and smaller businesses.

Alan Pears, RMIT & Sustainable Solutions

e. Water and the North

‘I am on the Yarra Valley Water Advisory Panel, and they are now actively offering to form partnerships with businesses which are large water users to reduce usage. At the higher end: state government is now requiring reporting of water usage by large users.’

Alan Pears, RMIT & Sustainable Solutions

‘Because water is such a high priority issue for state governments and there is talk now of mandatory performance on water there will be increasing pressure on business to report on performance.

‘Water retailers recommend that targets with business can offer some really big water savings. Water efficiency in office buildings brings more benefits than water saving.

‘In Whittlesea/Hume, you can achieve the desired benefits with integration into open space.

‘Yarra Valley Water in the Northern corridor is applying a lot of pressure to developers in the North, pushing really hard because getting absolute best practice is necessary in order to be able to sustain the demand.

‘Also there is clearly a positive proactive image associated with a business being highly water efficient, so again there is the business sense aspect.

‘The Commonwealth Government energy efficiency program offers opportunities for large businesses who demonstrate major energy savings.

‘Moreland and Port Phillip have requirements on water efficiency as it is.

‘Sustainability is becoming a bigger and bigger issue. In 10 years’ time, purchasers will be demanding far greater sustainability.’

Alan Pears, RMIT & Sustainable Solutions
‘We’ve developed water strategies for our Lockerbie development, and plan to include local, point-of-source recycling of grey water and local sewer treatment. This means the community would use 70% less water than the average community of that size would at present. We are also aiming for a 35-50% reduction in electricity usage on the site. We are working on both the supply and the demand side, using co-operative purchasing, better appliances, renewable energy, looking at solar, wind and co-generation, bio-gas and natural gas.

‘We consider these to be important steps so that we can demonstrate how we have responded to environmental pressures and we know these will be important issues in gaining the re-zoning we require.’
Duncan McLellan, Lend Lease

f. Developers and energy efficiency

‘The pragmatic developer will be keen to be energy efficient in any new offices and we expect energy efficiency demand to increase dramatically in the next few years. You have to design a building right, it has to look good, have good quality fit out and the economies of scale in order to gain energy efficiencies.

‘There are really two types of developer: the one who builds and sells and the long-term developer, who will put in the equipment and fittings needed to last. If in time, energy costs increase substantially, this will generate further pressure for energy efficiency in office developments.’
Andrew MacKenzie, OEAM

4.21 Importance of differentiation

a. Need to differentiate within the North

Differentiating within the North could become a valuable strategy. Many interviewees see that there are some obvious matches between certain styles of office and the various segments of the North: for example Brunswick is seen as having potential for development of funky, bohemian office spaces; while Coburg could actively develop its multicultural nature into a genuine differentiator between Moreland Road and Bell Street, with Preston having the potential to become a market-focused alternative style of office space and Thornbury showing potential as an arts offices location. Each municipality has potential for its own differentiation.

‘The idea of space as being branded is also important in Melbourne, with Collins Street one of the best examples of this (and now Docklands).

‘Areas such as Brunswick, Thornbury, Northcote, can present a niche office offering: a funky address is good for the right business type. The whole idea of what is an office has to be considered – it is an office but doesn’t have to look like it – it can be funky. Edgy can also be an office style. There are certainly emerging demands for non-traditional office space so I think location does develop branding. The multicultural communities aspect of parts of Darebin and Moreland for example, can also be expressed with clever branding that makes the most of this aspect, rather than presenting it as something it is not.’
Peter Elliott, DSE

Parts of Yarra already reflect this branding of office space, with offices located in and around Brunswick Street, Fitzroy, as well as those in trendy areas of Richmond, already benefiting from this.

Clearly areas such as the La Trobe Technology Precinct and the green environment of Nillumbik and Banyule have similar capacity to become branded spaces, as do other areas, discussed in other aspects of this report.

Conclusion 17:
Branding space within parts of the North will be an important way to develop a stronger image for those areas while also breaking down the images attached when the North is referred to as one region, bringing all of the image baggage with it.

Recommendation 28:
Prepare a simple, indicative graphic representation of the different ways in which each of the strengths and attributes of the North could be actively promoted for business.
b. Moreland Image
As just one example of the way the areas can be differentiated, there is Moreland, which emerges with some strong image associations. One of a range of images frequently associated with Moreland was that of it being a great location for green ‘funky’ offices.

‘Moreland seemed like a good fit to me because we’re an environmental organisation and there were quite a lot of synergies there.’
Peter Sacco, Conservation Volunteers Australia, (who sought to move the organisation's office to Moreland but could not do so as no suitable office space could be found).

‘I looked extensively myself too. I was scouring the commercial pages for six months.

‘It was a bit of a unique space we were after. I needed space for 12 people in an admin base as well as a yard with space for our project vehicles and a tool shed and also accommodation for the volunteers.

‘We’re a community organisation and I live in Moreland. It’s close to public transport but we didn’t want to go out any further.

‘Ideally I would have liked to partner with the Council and get subsidised rent.’
Peter Sacco, Conservation Volunteers Australia

*More information on the possible image differentiation within the North is canvassed in a map contained as an appendix to this report.

4.22 What can be done to stimulate office development?

a. The impact of incentives
There was a reasonable amount of consistency in the view that incentives would be unlikely to have any real impact as the absence of incentives is not what is holding back the market. There were some notable exceptions mentioned however; the first was in relation to incentives being sought by Chinese businesspeople considering investing in the Darebin area. A number of these potential investors had already sought incentives.

It appears however that any financial incentives that could be afforded by municipalities would be insufficient to make any real difference to the bigger office accommodation picture.

Incentives at the State (and Federal) Government level were, however, suggested by interviewee John Ilihan (of Crazy John's). John's views on this matter are explored in greater detail within the Case Studies at the conclusion of this report. He believes there is an important place for highly targeted incentives that will make a difference to a large company deciding to set up in an area of the North.

b. Need to jump-start the market
On the whole, the office and commercial accommodation issue is one of jump-starting the market and it is not just down to Government actions and policies, whether they be at the Federal, State or Local Government. However, the need to address the shortage of quality office accommodation in the North is so great that every possible action that can be taken at the various levels of Government must be taken in order to assist in bringing about change on this issue.

‘The reality is important. If there is nothing there, then there's nothing else there. In reality the market is the market. Government can’t do a lot to influence these issues. The developer must be able to fill it or it won’t be built.’
Darryl Whinney, Kodak

‘Getting the policy settings right is important at the State Government level, and it is important to create a level playing field by providing appropriate infrastructure and good transport linkages.’
State Government Department Interviewee
Overall, there was considerable enthusiasm for State and Federal Government becoming anchor tenants in new office developments in the North and some interviewees advocate strongly for this as a factor that can make or break a new office development, but most acknowledge that this is one of a number of factors that can make a difference.

c. Virtual solutions to image issues
For some businesses, being located in an office in Brunswick is fine, if only they can find the right premises, but they prefer to maintain a ‘virtual office’ with a Collins Street address. ‘Virtual office’ facilities set up in areas of the North with more prestigious addresses, could also be an answer for some smaller businesses, who are otherwise happy to be in a less visible location, perhaps because they mostly go to their client’s office.

Recommendation 29:
Those Councils with some of the more prestigious locations, namely Banyule with Ivanhoe and Yarra with Richmond, could potentially encourage the establishment of ‘virtual office’ facilities, requiring limited space and able to provide the requisite high prestige address.

4.23 Office and commercial accommodation across Melbourne
An additional Government contribution could be in the realm of measurement of office and commercial accommodation in Melbourne’s suburban areas. At present it is regarded as much harder to measure than retail, residential and industrial supply and demand issues and the State Government does not officially measure office accommodation supply and demand.

‘It is hard to get an idea of how much office space we have and how to measure it. We keep an eye on land and keep an eye on the spatial economics of the city, but industrial land is easier to measure.’
Peter Elliott, DSE

‘With office development, demand is doable, but supply is harder to measure.

‘A census of land use and employment is done for the City of Melbourne area and the Property Council of Australia is interested in the CBD and immediate surrounding areas. But the suburban stuff is really difficult to measure. Part of it is mixed with industrial.

‘Industrial land is hard to predict to some extent because it can be cyclical, but yes, office accommodation and the land set aside for this purpose, should be measured. Now that there are no specific office zones and we have Activity Centres instead, it is even more important.

‘Yes we do need to understand the demand for office and commercial and by doing this we provide better information. It is hard to give developers the confidence to proceed without the quantifiable material, hence it is important to be able to measure this.

‘Different ways of measuring office and commercial are needed.’
Geoff Underwood, Chair of the State Government’s Urban Development Program

Conclusion 18:
Despite the accepted difficulties in measuring supply of and demand for office and commercial accommodation and land availability for this purpose, it has emerged from this study that this would be a valuable contribution the State Government could make and one which would be of great value to each of the 5 outer suburban growth areas where lack of office and commercial accommodation is of greatest concern – that is, Hume, Whittlesea, Melton, Wyndham and Casey-Cardinia.

Recommendation 30:
Representations should be made to the State Government requesting that the Urban Development Program commence a systematic measurement of supply of and demand for office and commercial accommodation and land availability across Melbourne, with particular reference to the five main growth areas.
4.24 Perceptions of Councils’ role on office development

Outer suburban councils

Outer suburban Councils Whittlesea and Hume are perceived as being very responsive to business needs and taking all of the appropriate steps needed to support office development. Both were widely described by interviewees as being very proactive.

Whittlesea

Whittlesea received extensive praise for what was regarded as the ‘innovative zoning’ which made University Hill possible from a planning perspective.

‘University Hill is a development that is making very comprehensive use of the land.’

Major Developer

Recommendation 31:
Publicising the innovative zoning response to University Hill would be a valuable means of encouraging other councils to consider such a response in order to facilitate a major catalyst development.

Hume

Hume was regarded positively by many interviewees, except in relation to Sunbury.

Serious concerns were raised by one major Sunbury-based developer at the perceived slow process of finalising a structure plan for the Sunbury town centre, with the express concern that this had major negative consequences for the development of the Sunbury town centre including a resulting critical shortage of potential sites for offices in Sunbury. Indeed, Sunbury is regarded as an area where office demand is very strong, but there is no available land at all to respond to that demand. This demand includes substantial office accommodation requirements for a Commonwealth department that cannot be met within Sunbury. This location is required by the Commonwealth in order to service the demands of the whole Macedon Ranges area, as Sunbury is widely perceived as the main service centre for this area of some 60,000 people.

Conclusion 19:
Serious concern was raised by one major Sunbury developer about critical issues of land availability within Sunbury, and the need to address these, so that office accommodation opportunities are not lost.

Moreland and Darebin

Moreland and Darebin also generated many positive comments about their level of support for business development, with limited exceptions.

Banyule

Banyule emerges as the council that is perceived as placing the most barriers in the path of office development, with quite significant concerns by a number of interviewees about the lack of a realistic approach by Banyule in relation to Heidelberg around the medical precinct. While the Council is clearly involved in planning for the transformation of the commercial area of Greensborough, concerns are mounting over the perceived lack of an appropriate Council response to the need for zoning to allow for accommodation of medical specialists within immediate walking distance of the hospital. Ivanhoe is also seen as an area where even limited relaxation of height controls would provide greater scope for low impact office development.

There is such concern about the need for a zoning solution for the medical suite issue, that several interviewees suggested there was a real likelihood that the Minister would be urged to intervene.

Recommendation 32:
Banyule must provide a zoning solution for the Heidelberg medical precinct as soon as possible.
Nilumbik

With regard to Nilumbik, the longstanding tension between businesses and the Council has generated a high level of scepticism about the Council's preparedness to take any actions to support the needs of business, especially in relation to office and commercial accommodation developments.

Conclusion 20:
Nilumbik is in real danger of losing key office-based businesses currently located within the municipality, with a corresponding impact on local employment, if urgent measures are not taken.

Given that the municipality has one of the highest proportions of professionals of any municipality in the state, it is imperative that some provision be made for a proportion of these individuals to work locally.

Nilumbik Council is seen by a number of local businesses as having no interest at all in genuinely supporting businesses seeking office accommodation in the area, despite the best efforts of Nilumbik senior management to address this matter.

Recommendation 33:
Nilumbik Council needs to take deliberate measures to demonstrate practical support for office accommodation options for businesses in Nilumbik, including clear promotion of their preparedness to be responsive in zoning, to prevent ideal office locations being lost to other commercial uses.

Recommendation 34:
Clear signs should be given of the Council's backing of local businesses and planned action to remove barriers to those businesses remaining in Nilumbik.

Yarra

There is a strong feeling by many interviewees that Yarra must hold its ground and continue to resist the very high level of pressure to convert quality employment land to residential. For Yarra this is seen as the most important aspect of ensuring a good supply of office accommodation - retention of buildings and land for employment purposes.

Recommendation 35:
Yarra should continue to resist pressure to convert land used for employment purposes to land for residential or other non-office and commercial uses.

a. What can Councils do to contribute to office development?
Remove barriers at every opportunity.

‘If a developer says to you today, ‘what pieces of land have you got for me today?’ You need to be able to tell them where they can build.

‘If they want, for example, 2800 sq metres to accommodate 150 people, they do not want the leftover land or a bit of excess land that is of no value. It’s as simple as employment density. So they want those pieces of land that are suited for office rather than industrial – and it is important from an employment perspective, that the Council be as responsive as possible.

‘It is also about maintaining the vision and providing assistance in line with a vision for a municipality that offers more employment.

‘They need real land and the scale and proportions of land that the developer needs.

‘There must be a level of reality applied to this issue. If you wait for 10 years, it will be too late to capture the opportunities. Councils must maximise options for use of high quality land, help the developers reduce the risk and allow these uses. You have to go to the developers with half the work done. And you have to respond to market forces.’
Craig Shepherd, Author of Growing Melbourne's North Report
Recommendation 36: Councils must maximise options for use of high quality land, help the developers reduce the risk and allow these uses. They must be able to go to the developers with half the work done and be responsive to market forces.

Recommendation 37: Councils intent on strengthening the supply of quality office and commercial accommodation within their municipalities must remove barriers at every opportunity.

b. Office or storage?
When a developer or owner has the option of deciding whether to convert former industrial accommodation in the inner North into quality offices or quality storage space, storage is winning most of the time. It is allowed in most of the areas where offices are allowed, due to the zoning, and it is much cheaper to convert it for storage than for offices, yet the building will bring perhaps similar returns either way.

If there is a zoning solution to this issue, it could be well worth pursuing for those areas where this problem is most extreme – namely, Banyule and Darebin.

Further comments on this issue are contained in the Case Study on the Darebin Enterprise Centre, within this report.

One of the most extreme examples cited of a prime office location being used for storage is in the heart of the Ivanhoe shopping strip. This is such an ideal location for offices that stories have emerged of at least one individual using a storage cubicle as an office.

These issues of quality positions for offices ending up as storage, is a particular concern in parts of Banyule and Darebin.

Recommendation 38: Darebin should consider a planning response that may prevent quality potential office buildings being converted for use as storage.

Recommendation 39: Banyule should consider a planning response that may prevent quality potential office buildings being converted for use as storage.

c. Councils need to cross-check availability of land and zoning provisions
Councils need to cross-check the availability of not only enough land to meet likely expectations in their municipalities over coming years, but also need to ensure it is in the areas where developers will want to construct office and commercial accommodation. An additional potential strategy is to consider changing some land from residential to office use zoning and keep it as tightly tied to office as possible.

‘While office rents aren’t lucrative compared with commercial peripheral uses (such as storage warehouses) it is financially viable to change from residential to office zoning.

‘In the ‘80s, Box Hill rezoned a whole lot of properties from residential to office use, and this generated considerable office development that really kick-started the Box Hill office market.’

Senior State Government Department Interviewee

A number of interviewees drew parallels between the circumstances of Box Hill in the ‘80s and the nature of areas such as Preston today.

Recommendation 40: Given the high rate of competition for various commercial uses in parts of the North other than office, there appears to be a need to consider changing zoning of the most important areas from residential to commercial, with provisions more tightly tied to office. This will free up more land for office developments in those areas where this is critical, however this issue would need to be managed and considered carefully, with reference to the factors involved within each municipality.
4.25 Evidence of demand

a. Unmet demand for quality

It is already very clear that there is indeed unmet demand for quality office and commercial accommodation in the North. Though it is in no way currently seen as being equal to the demand from the East/South-East, given there is very little quality office accommodation in the North, the issue is one of unmet demand. There is a reasonable amount of poor quality, old dilapidated stock, often vacant and usually stuck somewhere ‘between the garbage bins and the Not Quite Right store’ (and that is a Government investment facilitation agency). Offices that are ‘a bit of a dump’ are a common story.

‘From my observation there is a shortage of decent offices, for example our Glenroy office is not on the main street, it's near a public toilet, off a car park and behind the Not Quite Right store. It's not the sort of place you want to bring businesspeople to discuss investment.’

Michael Hedt, Regional Manager for the North and West of Melbourne, DIIRD and previously Manager at Dandenong

‘If we compare with Dandenong, our office there is in the local CBD and there is a constant stream of visitors. They have 3500-4500 enquiries a year there and a lot are visitors coming through the front door.

‘At Glenroy, we are seeing only 25% of that and I believe it has something to do with the location and not as much to do with change of geography, needs should be the same.

‘The Dandenong office is in the main street… in an area with other government offices, and near the tax office, which has 14 storeys. That area had stacks of office accommodation.

‘It is earlier days in the North, a long way earlier. All that demand would be in the North but not sure where they would go.’

Michael Hedt, DIIRD

Conclusion 21:
In the North, there appears to be demand waiting to be met. Well located, modern, well presented, easily accessible offices with good facilities at a reasonable price are what is needed.

b. Vacancy rates

Vacancy rates in offices in the North are the lowest in Melbourne, however this has to be balanced against the very low base and the lack of supply, hence numbers are considered to be somewhat irrelevant.

‘Less than 8% of the office market of Melbourne is in the North and West (approx 178,000 sq metres) but vacancy rates there are quite low – at 3.2% mid 2006. This is an extremely low vacancy rate. In the whole metro market across all regions of Melbourne, there is a vacancy rate of just under 8% and that is creeping up of late, while the vacancy rate of the North/ West is staying low.

‘The North has had an extremely tight office market for a long, long time, as it is not considered a traditional office market. When built, office developments have typically been on the back of significant pre-commitments and so they are built to specific requirements. A company comes in and sets up the whole office – it is not a speculative development.’

Glenn Lampard, CB Richard Ellis

Conclusion 22:
Office vacancy rates in the North are the lowest in Melbourne (3.2% in mid 2006. While this is related to the small number of offices in the North, it is also a reflection of the tight market.

Conclusion 23:
When individual offices experience vacancies in the North they are often seen by a nervous market as providing evidence of lack of demand, but indeed these are more likely to be isolated cases of offices in unsuitable settings surrounded by poor quality or a lack of amenities.
c. Evidence of demand – La Trobe University precinct

There appears to be considerable evidence of demand for office accommodation linked to the precinct around La Trobe University. The La Trobe University Technology Enterprise Centre’s R & D Park, which also has links to the AgriBioScience Centre, is still meeting a big demand. It has now been operating for 10 years. The Enterprise Centre’s Director, Sue Bell, has the following comments:

‘This is a fairly prestigious address for a business... We are still meeting a big demand... we are based around the University’s strengths. We only have certain space available and when businesses have to move on from here they tend to have to move quite a long way and that is quite a problem.

‘You walk out the Uni front entrance and mainly see small semi-industrial workshops so developers have not tended to see it as the type of area where people would normally want to build high class office space.

‘Businesses moving out of here tend to end up going closer to the CBD or to Doncaster or Jolimont. They are typically moving 20kms or more to find the accommodation they need.

‘There are real consequences for us arising from this – we help the businesses establish and hope they will stay around in the area afterwards. We tend to lose the links when people move away and the business loses the advantages of their close proximity to a major University...

‘There is a constant demand for space and we haven’t got the offices available to meet this demand. Our offices range in size from 24 to 90 square metres. The unmet demand seems to be in the range 100-500 square metres, or enough room to accommodate anywhere from 10-50 staff. We often turn away people who are wanting that type of space....

‘Right now I wouldn’t know where to refer them in this region to be honest (those wanting office space) Probably they would just end up in Doncaster, Blackburn or somewhere of that nature.

‘If we were able to provide these businesses with the right office space in the area then we would not lose them. As it is, when we lose them we are losing the opportunity to develop the white collar high tech – bio-tech jobs we need around here. Without the accompanying facilities, you just can’t develop the sector.

‘In terms of the stories of consequences of the office accommodation shortages, we’ve had applicants who would have brought a number of bio-techs and drug development companies here but because the facilities are not here, we have lost that opportunity.

‘They would be a huge boost for the area and they would be businesses well suited to offering casual employment to Uni students and it would enable University - commercial collaboration.

‘We need to get something to start first so that it can prove the demand for others.

‘If I’d had an empty office park building here over the last 3 years, I could have filled it three times over.’

Sue Bell, La Trobe R & D Technology Park

Conclusion 24:
There appears to be considerable evidence of demand for office accommodation linked to the precinct around La Trobe University. The La Trobe University R & D Park is still meeting a big demand. The La Trobe R & D Park says that in the last 3 years, they could have filled an empty office building three times over.

Conclusion 25:
There is a similar level of overflow and demand represented through the business incubators in Darebin and Moreland, which also constantly have waiting lists and whose tenants regularly struggle to find suitable accommodation once they need to move on from the incubator.
d. Other evidence of demand

‘Demand generated by the Craigieburn bypass is likely to take 5-6 years to come through - this is normally how long it takes to see the resulting development once the infrastructure is in place.

‘In the North and West from an economic development perspective, office development will be desirable because of the infrastructure that is available there, the distance from the city and the proximity to housing.

‘If you look at forecasts, they are not focussed on the particular drivers for the North, they take Melbourne’s growth generically and it is not a North-specific approach. We look at jobs as a whole. In our development at Lockerbie, we envisage there will be 34,000 people living there.

‘Price pressures are already driving more people to move to Wallan, so that pressure for local jobs will be coming not just from within Hume and Whittlesea but also from within Mitchell Shire.

‘About 1000 homes a year are being built in the Craigieburn area and about 70% of those people will travel out of the area to work. We’re proposing to connect our development to the Craigieburn Activity Centre.’

Duncan McLellan, Lend Lease

e. Availability of office space and not rejection of locations

Large business headquarters are not necessarily absent from municipalities such as Moreland and Darebin because they have rejected the location, despite the fact that this is often the assumption. In at least some cases, they considered those areas and would have been keen to move there, but could not find anything suitable and so moved elsewhere.

This applies to Kodak, to name one large multinational. They were prepared to relocate anywhere in an arc from Sydney Road, through to Burwood Road and the Box Hill area. Ultimately they moved from Moreland to Yarra, because they required a large existing site (5500 square metres).

This research has also revealed a good number of small and medium sized businesses have moved out of Moreland and Darebin, or not been able to move there initially, simply because they could not find suitable office space. This applies to a number of businesses that would like to be based within range of La Trobe University, because of the match with their field of expertise. We have records of a number of these having had to go outside the area, to locations such as Doncaster, Blackburn and elsewhere in the Manningham area, to find suitable space for offices with laboratory requirements for example. Their first preference was the R & D park at La Trobe University but they were either not eligible or it did not meet their floor space requirements.

‘When looking for accommodation – Moreland, Darebin – we would have seriously considered those as they fitted our demographic requirements, but there was just nothing suitable available there.’

Darryl Whinney, Kodak

The experience of the Commonwealth Bank backs up concerns at the lack of availability of suitable office space - this time in Whittlesea or Hume:

‘There’s definitely a shortage of office accommodation in the North. We were trying to locate a new CBA office in the area of Whittlesea or Hume and we found it very hard to find suitable sites.’

Damian Cairns, Northern Region, Commonwealth Bank of Australia

‘The ones that we did find were not good, of poor quality and with no visible presence to the public. We have now identified one, it’s probably OK but it was a long struggle to find it. It took about 6 months.

‘A good number of customers of the bank are looking to build commercial offices in the North, out of choice, as they see it as a good investment.

‘We have identified a huge growth in businesses out that way and so as a corporate bank we want to provide the business services out there for our customers.'
'We have found it difficult though to find the right property as there was very little available. We were after a suitable property that also had good visibility and was in either the Whittlesea or Hume major activity areas.

'Our bank has considered it a big enough level of demand to justify the setting up of this new Northern branch, and this is a reflection of the level of business there and we are responding to that.

'I think the market isn’t responding to the demand in the North because professionals have traditionally been seen as living in the East and Southeast. Yet opportunities would be there in the North. I think some developers can be a little myopic in their own field of expertise and don’t see the potential of the North.

'You need to be physically going out there and talking to businesspeople in the North often to understand the region properly. I was surprised when I went there at the large scale of the businesses and factories and other developments out that way and just the sheer number of new buildings.

'It is a very big decision for a new business corporate branch to be set up by the Commonwealth Bank and it depends on the number of $1 million plus turnover business clients that we have in an area.

'At present, we have business banking major offices in the City, Box Hill, Dandenong, Moonee Ponds and one is coming soon at Frankston, so this new office at Epping will be the first in the North.’

Damian Cairns, Commonwealth Bank of Australia

Conclusion 26:
Large business headquarters are not necessarily absent from municipalities such as Moreland, Darebin, Whittlesea and Hume because they have rejected the locations, despite the fact that this is often the assumption. In at least some cases, they considered those areas and would have been keen to move there, but could not find anything suitable.

Conclusion 27:
A good number of business banking customers are looking to build commercial offices in the North, out of choice, as they see it as a good investment.

f. Time to ‘seriously discuss the North in an office market context’

'It is only in recent times that people have started to take notice of the North at all for office developments.

'Tertiary education premises are generating this interest to some extent. But also the massive population growth in the North.’

Glenn Lampard, CB Richard Ellis

The CBRE Corporate Breakfast Presentation 2006 went on to discuss Outer Suburban Office Opportunities, and the extent of the leap in thinking required by many developers is evident in the comment...‘there are few in this room who would have thought we’d seriously be discussing this sector (the North/West region) in an office market context’.

‘...In particular the opportunities we want to focus on are; the North/West region...

‘Starting off with the North/West region, there are few in this room who would have thought we’d seriously be discussing this sector in an office market context. The fact is, this region is one of the fastest growing in Melbourne, in particular, its residential and industrial markets. However, the critical mass of offices that we usually find linked to these markets is lacking.

‘To illustrate this, the South Eastern industrial market consists of 16.6 million square metres and is supported by an office base of 2 million square metres. In comparison, the North West market has a similar sized industrial market with an office market of just 175 thousand square metres. The disparity in ratios couldn’t be more obvious. Some wise hands have picked up on this emerging opportunity with office developments slated at Essendon Airport and the J anefield site (University Hill) in Bundoora to name two.
‘This region will present good opportunities across the board. Developers have access to an immature market and in many cases, proactive councils, investors can increase the stock pool of assets and occupiers will benefit from an ever increasing employment base. So for many its time to recalibrate the radar and hone in on some targets.’

Part of the issue for the North is that there is still some real scepticism about it:

‘I don’t get bowled over by demand for the North.

‘There is a significant white collar workforce in the South East.

‘The Ring Road has boosted the West, particularly Laverton.’
Anthony Kelly, Kelly & Kelly Property

**Recommendation 41:**
Beginning the process of ‘seriously discussing the North in an office market context’ is exactly what needs to now happen and every possible opportunity to do just that should now be taken. This could include a series of presentations of the findings of this research, but other opportunities will also exist, including case studies of University Hill and the Council’s co-operation on that project.

### 4.26 The airport

a. **How Melbourne Airport is perceived**
   ‘The Airport is perceived as the ‘airport’ not as the West or North.’
   Senior State Government Department Interviewee

Therefore allow this to be an advantage for the North.

**Recommendation 42:**
Continue and strengthen the projection of Melbourne Airport and surrounds as ‘the airport’ rather than ‘the North’ if that is what will assist the North.

b. **Offices and airports**
The strategic importance of the presence of Melbourne Airport within the North cannot be overstated and needs to become a key focus of discussion about the potential for the North.

The following extracts are from a CBRE bulletin called ‘Market Outlook’, which contains the edited notes and charts from the Melbourne Market Outlook 2006 presentation, held at the CB Richard Ellis Corporate Breakfast on 23 Feb 2006 at Crown Casino in Melbourne.

‘You see, when you stand back and look at the provision of office space across Melbourne’s suburbs; the East and South East regions dominate; always have.

‘But urban growth is slowly rebalancing to the North and West and this region contains important assets for attracting business: airports. The region contains three of Melbourne’s four airports. (A reference to the North and West, not just the North).

‘In the 19th century, cities and business grew up around railways; in the 20th century, roads drove development. But these days, the magnets for business are increasingly, airports.

‘From Frankfurt to Fort Worth, from Schipol to Sydney, airports are growing and have massive plans. We started looking at airports around the world recently to better understand the extent of the trend. We tallied over a million square metres of existing office space and another half million proposed, in only nine airports. And this is just inside airport boundaries.

‘While development of Moorabbin is already well underway, under existing plans, Melbourne and Essendon Airports could provide over 200,000 square metres of office space. And that’s before you count the more distant, but increasingly busy, Avalon.'
‘In the long run, we think the airports in the North and West could be the business hubs which re-balance the provision of business space across the outer suburban areas of Melbourne. And if the outer East and South East regions are anything to go by, starting it all off with hybrid office/industrial properties may just be the way to go.

One thing’s for sure, airports are an area of real estate development and investment we’ll be taking a much closer look at from here on.’

The presentation by Mark Granter, Senior Managing Director, Victoria, then went on to discuss the North/West region.

Recommendation 43: The strategic importance of the presence of Melbourne Airport within the North cannot be overstated and needs to become a key focus of discussion about the potential for the North.

c. Essendon Airport

‘Essendon Fields at Essendon Airport has two office buildings that are already built and they are occupied by Armaguard and Linfox who were already based there. They apparently have some spare space in those buildings. An accountancy firm with 40 staff has recently agreed to move to these premises from East Keilor. They will be the first tenants other than Armaguard and Linfox.

‘Essendon Fields will certainly present some competition for the area in terms of office space.

‘The advantage Melbourne Airport has is that it is the hub of international and national travel.

‘There is a possibility that Essendon Fields could affect development in Moreland, particularly because parking at Essendon Fields is good and includes discounts. The development is in the English Street area.

‘Essendon Fields will draw from the areas to the south and west because of the light rail connection on to Mickleham Road.

‘It is possible that the office development at Essendon Fields could have some impact on parts of Moreland.’

Gerry Neylan, Melbourne Airport

Recommendation 44: Moreland may wish to consider investigating the consequences of the Essendon Fields office developments on plans for office development within Coburg and seek to address any concerns that arise as a result of this process.

4.27 Melbourne 2030 and Activity Centres

Transit cities and Activity Centres

Broadmeadows and Epping remain crucial locations in the North due to their Transit City status. As one Government interviewee put it:

‘The State Government’s first dollar goes to the Transit Cities.’

The State Government has a stated commitment to ensure appropriate infrastructure and transport linkages in the Transit Cities and this is regarded as one of their key contributions the Government can make to create a level playing field for office development in various parts of Melbourne.

Improving the amenity of the area is the other key strategy and this is undertaken in conjunction with Councils. Co-location of activities into these centres is the additional strategy aimed at building up these focal points for Melbourne.
Conclusion 28:
With the State Government placing such a premium on the role of Broadmeadows, it may be appropriate to increase that support through re-location of a number of major State Government offices to new, quality buildings within the area covered by the Proposition 3047.

Recommendation 45:
Broadmeadows and Epping remain crucial locations in the North due to their Transit City status. This status needs to be matched with concerted efforts to attract and support office development in these areas through planning support and other forms of practical assistance.

4.28 Melbourne’s North and the China boom
One of the perhaps surprising aspects uncovered in this study was the clear potential for the North that relates to the boom in the Chinese economy. This is especially so as the four educational institutions in the region: RMIT, La Trobe, NMIT and Kangan TAFE do huge and lucrative business with China.

La Trobe University has a “Centre for China Studies” partnership with Peking University. These educational links are potentially valuable for businesses setting up in the North and looking to have connections to China.

Siemens will be one of the lead tenants at the University Hill development and one of the aspects relevant to the decision to go to this new location, relates to its proximity to the airport, and ultimately relates to its business with China.

‘In Australia, the China boom is highly relevant. Business in China for us is local.’
David Sinden, General Manager, Real Estate, Siemens, and the person in charge of the process of selecting their new site

4.29 Role of La Trobe University
‘La Trobe University is relevant, but it needs to generate more research and more high level companies will come in response to this.’
Major Developer

‘We see that the northern suburbs haven’t really got a lot of office accommodation of good quality – high quality will do well over time, but it needs to be attractive with medium sized companies benefiting from high exposure and the offices need to be competitively priced.

‘University accessibility in the area is very positive.

‘Last year, there are 17,000 students at La Trobe University and two thirds were women and a lot are overseas students and researchers. A number of businesses can benefit from the ready access to local graduate students.

‘Lancaster Gate is a symbol, along with Springthorpe, of a changing demographic. There is already enough impetus and change, no question.

‘Office demand will gradually increase.

‘University Hill is creating a head of steam and critical mass.’
Major Developer
4.30 The importance of quality schools

Schools matter – a lot

It is well known that good schools are a key factor in attracting office development to an area due to executives’ preference to be in an area where their children can receive a good education, but how this plays out in the North needs serious consideration if the region is to make headway on office and commercial accommodation.

The key here is not just the presence of private schools, but importantly, the presence of well-respected high-performing Government schools. Two schools in the North are becoming mentioned more and more often as strong improvers or schools with a good reputation: Northcote High and Sunbury Secondary. In the area around the South Eastern office locations of Mt Waverley, the Glen Waverley and Mt Waverley schools are consistently strong performers and managers know it and are prepared to live and work in the area so that their children can take advantage of these schools.

‘You need to make sure the kids coming out of Northern schools are emerging job ready and with a strong focus on employment, if they need mentors, set these up. Do what you need to do to take away inter-generational welfare from the North. This change will be one of the best steps you can take in changing the image of an area. It is a matter of promoting the positives and removing the really bad negatives associated with local schools is one of those negatives.’
Senior State Government Department Interviewee

Another State Government interviewee says: ‘School quality as an attractor is actually surprisingly important – not just amenity in the sense of nice trees and parks so much... Not only private schools, but elite and higher performing or even rapidly improving Government schools also help to drive workforce location.’

One of the North’s main builders of higher quality homes, Dennis Peucker of Townsend Homes, also sees firsthand the importance of good schools for businesses considering living in the area.

‘Our overseas buyers see the schools and educational provision in the Sunbury area to be very good, as the Government schools in the area have a great reputation. The one nearby private school, Salesian College, is very difficult to get into. The reputation of the local schools is very important to our overseas buyers when they are bringing their families out here.

‘We’ve found too that the local schools are very welcoming of students who have come to the schools from overseas.’
Dennis Peucker, Townsend Homes

Conclusion 29:
La Trobe University has funding approved for a secondary school to be a Centre for Excellence in Maths and Science. This type of Government school will fit very closely with the aspirations many families have for their children, and is therefore likely to contribute to the attraction of more skilled workers and professionals into the area, including those from diverse cultural backgrounds where a high premium is placed on good education.

Conclusion 30:
It must be acknowledged that school quality as an office location attractor is very important and is likely to be of higher importance than more superficial enhancements such as nice trees and parks.

Conclusion 31:
The $90 million Schools for the Future program for Broadmeadows Transit City is an example of the improvements to schools likely to meet the requirements for improved school environments in the area.

Recommendation 46:
Councils are encouraged to do everything possible to dramatically improve the image and performance of local Government secondary schools and to advocate strongly for local schools, due to its critical link to the development of office accommodation.
4.31 Transport and travel times
a. Transport and roads
There are parts of the North that have excellent accessibility by trains at present and where services will be enhanced with the addition of buses that travel on a ring route across the top of the region. The State Government believes the advent of these new innovative bus routes will bring greater opportunities for the North's office and employment market.

“Our radial transport system favours the city, but the gradual “ringing” of the city is changing that somewhat.”
Peter Elliott, DSE

The Northern Ring Road is a big contributor to that and is a factor that was not there previously. State Government plans for extensive bus routes that will service the “ring” area across the North, are also going to be significant changes in increasing the accessibility to potential office zones in the North.

The Craigieburn Bypass received nothing short of rave reviews about its value as a major new piece of road infrastructure. It is seen clearly as infrastructure that will significantly enhance a wide range of development in the North.

Recommendation 47:
Promote the great strengths of the two newest pieces of Northern infrastructure: the Ring Road and the Craigieburn bypass, as two major reasons why developers should take a fresh look at the North.

b. Journey to work times
It is widely recognised that Melbourne's journey to work times have remained relatively constant over time. The average has been around 25 minutes or so and patterns show that workers will tend to move house in order to maintain that. Such movement could be expected to accompany developments such as University Hill, where some employees will inevitably live outside that journey time range and will later choose to move to maintain shorter travel times. The North offers a good range of housing styles and price ranges to accommodate such movement and developments such as Lancaster Gate and Springthorpe will be relevant as well.

4.32 Change over time; is it just a matter of waiting?
No. 'From nothing comes nothing' as one senior Government interviewee said. Instead Councils and Government are urged to ensure they have addressed every possible factor that could either limit or enhance the development of more office and commercial accommodation in the North.

A senior Government interviewee who had previously worked extensively in outer suburban strategic planning in Melbourne commented that:

'We calculated that you get about 25,000 square metres of office space that naturally occurs if you like, for every 100,000 population. This compares with 60,000 square metres in the Rialto alone.'

This calculation is clear evidence that waiting for office development to simply follow the population will provide nowhere near the level seen to be most conducive to a well-balanced community.

As a point of comparison, Monash now has more jobs within the municipality (75,000) than the size of the workforce who live within Monash.

'Melbourne 2030 already has only 23 years to run. The area up North will just go ahead more and more, it is only a matter of time. The corridor has the right attributes and office development will happen, it is only a matter of when.

'There is strong potential for office space with the Craigieburn bypass and the ring road now in place.'
'My overall impression is that the potential for the North is very strong for office and commercial accommodation. This is a factor of the proximity to the city and other employment areas that may have synergies with the commercial businesses. It is also a factor of a Council (Hume) that has a strong focus on economic development.

‘Hume is working on matching employment with housing.’
Duncan McClellan, Lend Lease

**Conclusion 32:**
The North has been seen as being on the cusp of changes for perhaps ten years and many still say this - the challenge may well be to hasten that timeline for change as much as possible, through marketing the area and its advantages.

### 4.33 What can each Council do to attract more office accommodation?

This section specifically addresses a number of measures that would be valuable, but many other examples are referred to elsewhere in this report and are backed up through the comments contained throughout.

a. **Banyule**

From this series of interviews, it would appear that Banyule differs from the other municipalities in one key way: there is pent-up demand to build office space in this municipality and there are developers willing and ready to do so, but there is a clash between what they want to build and most importantly, where they want to build it, and what the Council wants them to build and where it wants them to locate the offices.

This issue is having considerable impact on what is Australia's largest medical precinct, the Mercy and Austin and Warringal Hospital precinct.

Essentially the issue at hand is that there are no planned, modern, available offices for specialist medical practitioners to set up in private practice and yet there is only a very small geographical area where they could logically set up.

They wish to set up within immediate walking distance of the hospitals, with such proximity that they can manage their very demanding surgery and private consulting demands simultaneously. They will not go 'up the hill' to near the intersection, because this will prevent ready access to the Mercy or Austin. They need to be in the immediate area around Burgundy Street and Studley Road. They will not consider anything over the intersection that takes them into Bell Street, as they believe this would mean a 'quick visit' would take up an hour for the whole exercise (taking into account traffic and parking issues) and this is something they cannot afford when they may have 5-6 patients in their waiting rooms when called to an urgent matter at the hospital.

This appears to be a top priority issue and if addressed, would immediately lead to significant and high quality office accommodation being developed in the medical precinct. At present, this lack of approval and opportunity is leading to a hodge-podge of poor quality medical practice accommodation in adjoining converted houses and similar premises.

The Mercy, Austin and Warringal hospitals are understood to be gravely concerned at this office shortage issue and believe it is materially impacting their ability to retain highly qualified staff, in a field where there is already a chronic national shortage of such practitioners.

One Government interviewee suggested the following was the type of action that Councils such as Banyule need to take if they are serious about responding to office shortages such as these:

‘They need to rezone the whole area between Yarra and Burgundy Streets and make it 5 storey – you have got to create opportunities for office. This would then be right beside a train station and right beside the medical precinct and it would create an arc of opportunity in the South side of Burgundy Street. This would create an office precinct with genuine “Camberwell” potential.’
State Government Department Interviewee
‘This is a precinct that serves the whole region and yet we are letting the views of a few locals stop investment. If we don’t attract investment in consulting suites then we will never be able to attract and keep doctors in the hospitals in the precinct. The minister should take control of planning and approvals in the precinct. It’s too important to be left to the council’

Senior consultant to the development industry

The other part of Banyule generating feedback, but in this case it was positive feedback, was the Greensborough centre. Its planned redevelopment is seen by some as having wide-ranging implications.

‘Taking it on was a quantum leap in the quality of urban space and it now needs to be mixed with the same level of employment.’

A number of interviewees believe there could be an increase in office density in Ivanhoe and this would remain appropriate for the setting.

‘In Ivanhoe, Council needs to enable developers to develop genuine density and appropriate density.

‘The quality assets need to lead the way... For example, in Glenferrie Rd – you see a restaurant at the front and good quality 3 storey office space up above. Ivanhoe and Heidelberg are the obvious places to do that type of thing.

‘Ivanhoe is probably considered too hard to develop much there now, because there would be large risk [of a backlash]. But there could be 400 more people working there.’

b. Nilumbik

Of the seven municipalities who are directly involved in this study, Nilumbik appears to be suffering some of the most severe shortages of all in office accommodation and this is having a genuine impact on the retention of those jobs that do exist in Nilumbik. It is the municipality with the highest proportion of professionals; there is considerable wealth in the municipality, yet it appears to have become almost impossible for service businesses to stay in the area. They are typically occupying highly unsuitable and restricted space.

Nilumbik is seen as being a Council that does not truly support office development in the municipality. The municipality will face resistance from businesses or developers to even consider setting up in the municipality unless it begins to give very clear signs that it is open to cooperating and assisting on the matter. There is considerable frustration among at least some businesses currently based in Nilumbik, because they simply cannot find any solution to their business accommodation problems. Given the high skill set of the Nilumbik population and the very high rates of travel outside the municipality to work, Nilumbik is well-placed to satisfy many of the criteria for office developments, even though these would clearly be of a smaller size.

Car parking requirements are seen as a big issue for businesses wanting to expand or consider new offices in Nilumbik.

The Yarra Group is a successful accountancy business currently based in two locations: Diamond Creek and Heidelberg. The company has 25 employees between the two locations and rents one office from Banyule Council and four shops in Diamond Creek. Peter Wood is a senior partner with Yarra Group.

‘There is just nothing available to buy. I am past frustrated now. I have looked at Diamond Creek and Heidelberg.

‘It would take our clients too far out of their way to go to University Hill and I don’t want to go to Greensborough.

‘I would like to see municipalities doing forward planning, they say “we have” and yet there are no benefits to us as we are not part of the traders – not retail – yet we are forced into meeting various retail objectives and we are fish out of water here.
‘But we contribute to the local economy. I would like to have Council back us staying here - there has been no effort to accommodate our needs at all.

‘Medical professionals can be in other areas. Office and commercial is falling through the cracks.

‘It is costing us money and efficiency while we wait. We can’t take on any more staff at present even though we have business demand. Clients come from referral outside the area as well.

‘Our staff come from all over, although quite a lot come from Diamond Creek - probably one-third live within 5kms. Others are from all over Melbourne but predominantly Northern suburbs. Some come from Taylors Lakes.

‘It does surprise me that developers aren’t responding to this demand. I nearly decided to develop one myself, the old Mason’s building in Heidelberg. It has a nice façade. I explored developing it but it was beyond our capacity.

‘But I’d be really surprised if such a demand did not exist.

‘In this local area people are coming out of their home offices and can’t find a thing. It’s all a matter of time for our business so my enthusiasm is a little less (due to potential retirement).

‘Our staff are happy to live in the North. There are plenty of professionals and business opportunities in the North.’
Peter Wood, Yarra Group

C. Moreland
There were a range of positive comments about the Council, however as a municipality it is seen as being constrained by planning laws and transport constraints. It is also seen to be constrained by the many environments in the business areas of the municipality that are seen to be less than presentable.

‘If municipalities don’t address the quality of their urban spaces then there will be a problem. You can’t expect the level of office space to be there in an ugly urban environment.’
Craig Shepherd, Author of Growing Melbourne’s North Report

Interviewees also tended to see the traffic restrictions on Sydney Road as a real impediment, because of the clearway zones and how these limit accessibility to premises for quite a few hours of the day.

Valve Tech is a business currently operating in Moreland and looking at an extension of their facility to include a meeting and planning department. They are facing limitations in terms of car parking.

‘We need to double the factory space but we don’t have the space to create more parking.’
Chris Tabone, Valve Tech

‘We don’t need to move if the right site is in Moreland. We’re very central and can attract from North, South, East and West. It’s central for our client base and our employees are scattered from Woodend to Dandenong.

‘We need a land area of 2,500 sq m. We’re an engineering company so it would have to be built. Re-fit would be okay, we expect to have to do that.

‘There is no significant negative effect for us being in the North. We are also bordered by parkland.’
Chris Tabone, Valve Tech
d. **Darebin**

Darebin has been explored for this project in relation to several key areas: Preston and the Preston Market; the precinct around La Trobe; Springthorpe; Lancaster Gate; the PANCH development; the move of the Kodak office and the Preston Market development and the Northcote Activity Centre. In addition, the study has explored measures taken within Darebin to attract interest from Chinese business investors.

Overall the response regarding Darebin was positive. There may be more that could be done in relation to easing car parking restrictions around High Street, and it’s understood that the developers of the PANCH site would like some additional co-operation, but overall, Darebin is seen as being relatively co-operative for those interested in considering it as a location for office development.

e. **Yarra**

There were no concerns raised about Yarra’s response on office and commercial accommodation, however few of the respondents had liaised extensively with the Council, yet this was still a positive, as it was partly a sign that they had no need to do so. Office development appears to be seen as something that Yarra supports.

‘Yarra is an enormous example of why it needs to maintain the dream of businesses setting up locally. The Council has stood firm on resisting residential developers, who will always want housing, not office. ‘Don’t give developers the option of residential in areas you have set aside for office development.

‘All Councils must never take their eye off development of quality offices placed in the right locations in attractive parts of town.’
Craig Shepherd, Author of Growing Melbourne’s North Report

f. **Whittlesea**

‘Whittlesea is more gung ho and responsive on office development.’
Craig Shepherd, Author of Growing Melbourne’s North Report

Both Whittlesea and Hume are regarded by the Office of Investment Facilitation (part of the Department of Innovation, Industry and Regional Development in Victoria) as being natural locations for call centre development and some approaches along these lines have already been received.

Both Hume and Whittlesea are also seen to offer great advantages for a business seeking to create a new, large, high quality and fully environmentally sustainable office building.

g. **Hume**

Hume is also seen as being highly responsive and co-operative on office development.

Opportunities for Hume’s office development centre heavily on Melbourne Airport. Hume is also seen by some interviewees as being an ideal location for high quality business conference centres, similar to the Aitken Hill centre that is in Mickleham.

The Broadmeadows Transit City project also has potential to attract further commercial accommodation in the precinct. With the establishment of the Hume City Council administration centre and the planned development of a senior school campus in the area this could be an area that has the ingredients that would attract development.
4.34 Previous relevant studies

Previous studies of office potential in the North

Ten years ago, a current senior State Government employee, undertook a major study of potential for office development in the Western and Northern suburbs of Melbourne, while in a consulting role. The project looked at all the dynamics, much as this one has, and involved interviews with a lot of investors and developers, also similar to this study. The author was interviewed for this study and says that the study showed very clearly that perceptions were the biggest barrier of all for both regions. It also found that incentives had very little impact, as developers were essentially conservative and cautious and simply wanted reassurance on good rents as well as good capital returns. Concerns on both fronts were what held them back.

‘The lack of history of office accommodation was the big problem, the regions get caught in a trap.’

‘In the 10 years since that report, there has been virtually no change in the office accommodation supply in either the Northern or the Western regions.

‘But the differences I would see now, compared with 10 years ago, would be: University Hill is now there as a catalyst; one office development brings another. University Hill is an example of slow change and when it happens everyone will say ‘Oh that was obvious’.

‘The Northern Ring Road and the Craigieburn bypass - these bring a new way to move around Melbourne compared with 10 years ago.

‘The role and importance of Melbourne Airport is vastly different from 10 years ago.

‘The North is now able to be seen as an East/West band from the Airport/ Broadmeadows centres to the Epping/University Hill/Greensborough centres and it is a big industrial and distribution centre.’

Senior State Government Interviewee (and author of the report referred to above)
5. Case Studies

5.1 CASE STUDY: University Hill, MAB Business Parks

Interview with David Hall, General Manager, University Hill Project and David Herschell, Business Development Manager.

Virtually every relevant interviewee in this study regards University Hill as the most important new catalyst for office development that the North has seen in several decades.

‘Studies and demographics don’t show the demand for office in the North as most developers would like.

‘You have to remember though that the children of the North and its migrants have now become a generation with higher education. The education levels are now changing and within 15 years, it will be the next South-East in many ways.

‘There is such a huge range of labour available in the North, both skilled and unskilled and these people want to stay living in the North.

‘Data is so overwhelmingly skewed towards the South East due to its established position as a base for office parks.

‘In theory, commercial should follow industrial, but instead you tend to see more of a consolidation of offices into the edges of the Industrial parks and so data can tend to lose this – the white collar segment of the blue collar factory if you like.

‘In the South East, office buildings of 3-4000 square metres will continue to develop.’

What has changed in the past 10 years?

‘In the North, the Craigieburn Bypass and the Ring Road have been very important changes and those are pieces of infrastructure it didn’t have before.

University Hill demand

‘In the North, investors, accountants, solicitors, owner-occupiers are working from shop-top dwellings, from homes, from old buildings and they haven’t seen the likes of University Hill before. They are the people who are buying into it.

‘The question mark for us is how many can we sell? Whereas in Mulgrave, we could sell deal after deal.

‘In the North, the choices are very limited for a corporate environment in the St Kilda Road style and that is what University Hill offers.

‘With office suites now, three years ago you could build them anywhere because there was a shortage, what’s happening now is that businesses are looking for amenity – the cafes, decent restaurants...that’s what people expect now for themselves, their clients and customers and they also want the ancillary services – banks, post offices, etc.

‘The way the North is still developing offices tends to be very small developers trying to break into the office market there, building something with maybe 8 offices in it and not providing a setting, an image. These are mainly quite minimal office environments.

‘University Hill has 32 office suites.

‘We normally don’t do speculative developments, we do as with University Hill where we are selling off the plan.

‘We are not doing “Build and they will come”. We have 50-60% of it sold upfront.'
A revolutionary project in the North

'University Hill is a revolutionary project in the North. You would compare it with the type of office development you find in Mulgrave or Mt Waverley.

'The question we have been facing is “Is it too early for the North?”

Planning controls and zoning flexibility

‘In terms of planning controls, we have a special use zone in place at University Hill, which allows a mix of uses.

‘We talk about “employment land” with a variety of uses, to reflect the changing demographics.

‘Most industrial land use zonings restrict the amount of commercial development that can take place on site.

‘The flexibility of the zone is the big plus for us. The developers need more enabling zones (such as we have), so that gentrified commercial use can replace existing uses. We need these upfront because delays cost time and money.

‘The average density of warehouse-industrial use is 14 jobs per hectare. You can map the density of employment and see this.

‘Our land at Kalkallo is ten times as big as our University Hill development and we want to encourage its use for more jobs.

Activity Centre policy

‘The Activity Centre policy should be supported in encouraging commercial uses but not at the expense of other areas, where commercial uses may replace previous industrial uses.

‘Mulgrave is changing to a commercial field, with high office content and low warehouse use. It is now about 60% office and the rest warehouse.

‘Some areas have to convert the transport infrastructure into being able to take the volume of traffic. The other aspect is parking. It is far more difficult for areas like Yarra to accommodate traffic.

‘Our customers (for University Hill) are based in the Northern catchment area almost entirely. To get an existing building with car parking is difficult. It is near impossible to get a modern building with the scale of office floor space that a company is looking for.

‘A Sydney company was looking for 3000 square metres in the North and they started off looking in the established buildings (did not find anything suitable).

The Docklands of the North

‘We would like to see University Hill become the Docklands of the North.

Opportunities for Melbourne

‘Sydney and Canberra will suffer badly in the next 10 years because their airport, roads, ports and rail are all in capacity deficit. Their infrastructure has a lot of problems. Commercially in the ‘90s Sydney belted Melbourne in attracting the big office headquarters and got the commercial market by the throat. Commercially Melbourne needs to attract new head offices and retain what we have.

‘Melbourne has to become the distribution centre of Australia for Sydney, Adelaide and elsewhere, radiating out from Melbourne’s ports.

‘So this will create some sort of service employment (in the North).
Skilled workers increasingly driving location

‘The greatest challenge for business at the moment is the shortage of skilled workers. Government must pour millions into trades training from right now.

‘Skilled workers are becoming the bigger incentive on where businesses are located. ‘Brisbane will be a competitor for population growth but the workforce is seen as less inclined to work.

Land prices

‘In the West of Melbourne (say Laverton) 3000 square metres would be about $200 a square metre, whereas the equivalent in Sydney would be $500.’
5.2 CASE STUDY: John Ilhan, Crazy John’s

Interview with John Ilhan, who is an ambassador for the North of Melbourne through NORTH Link/NIETL

‘All my life was spent in Broadmeadows and it shaped me and formed me and made me what I am today as a businessman. My success is due to my environment as it is for anyone - the area you were brought up in has an impact.

‘In my case, things didn’t come easy, and later when I began my business, my first customers were from the area and were very loyal to me. I am from Turkish heritage, but I had support from local people from many different cultural backgrounds, including Greeks and others. I was supported by local customers from both multicultural and Anglo backgrounds.

‘The small to medium businesses also supported me very well.

‘We just need to educate other businesspeople on the benefits of having a business base in the North. Land is cheaper, you have easy access to NSW, two airports are right there.

‘Change in perceptions is what is needed. The State Government should promote the North and the change that has occurred there.

What is the biggest barrier you faced as a businessman coming from Broadmeadows?

‘No-one’s been there! That’s the main barrier. No-one has been there.

‘When I met my wife she was 27 and she had never been to Broadmeadows.

‘It is all about perception, it really is.

‘CEOs such as myself might tend to move to places like the bayside area to live, but we remain very well aware of the massive strengths of the North for business and so it would always be my first choice for location of a business.

‘If I needed to build a big campus-style office, I’d go to Broadmeadows (or a place like Somerton, depending on land availability).

‘Because I understand the area, I can relate to it. My parents still live there.’

Why are many developers not prepared to look at places like Broadmeadows for office development?

‘We need to educate people about Broadmeadows.

‘If the Government supported a particular sector or business type that Broadmeadows could become famous for, this would give assistance to other businesses. There would be a flow-on effect to SMEs in the area.

‘If the Government gave incentives, just something to raise the interest, some of the bigger companies may be prepared to look at Broadmeadows.

‘There is also a need for some coordinated approaches by Government, in conjunction with the banks, to take a more concerted approach to tackling some of the more difficult social issues in Broadmeadows.

‘The NAB and the Government should come together to look at what solutions they can provide as both would benefit from this – the bank would benefit in terms of its Corporate Social Responsibility. I’m on the NAB Advisory Council Board and the bank is taking some fantastic initiatives in many parts of Australia.

‘In Broadmeadows, it is important to have some sort of businesses mixing in there, not all welfare agencies. You need a balance.'
‘The State Government could provide incentives for big businesses seeking to move in to the North – I know they are doing this for a multinational company that is moving into the other side of town. It doesn’t take much dollar wise to trigger interest.

‘My focus though would be on educating businesses, including SMEs, marketing all of the North, providing some incentives, and communicating the benefits.

‘Staffing businesses is hard now and you can find staff more easily in the North, because you have the pick of a huge workforce who don’t have ready access to offices nearby!

‘We don’t have any difficulty in finding office and retail staff in the North. We have something like 70 in that area, of about 300 across Melbourne. On this side of the Yarra we don’t have trouble finding good, committed staff, but we do constantly have that problem on the other side of the Yarra.

‘This access to staff is a huge benefit for SMEs and we find they are always great people too.

‘I’d like to see almost a Broadmeadows incubator, like the one that is in Brunswick. A lot of young students who get very good marks, are very bright and would have great ideas and suit a start-up environment. The old Ericsson building in the area is currently home to businesses of this kind, (through MAP Venture Partners) but that operates on a commercial basis. One is also needed that is subsidized.

‘The solution for the North lies in businesses getting together, taking initiative, and starting something.

‘You don’t want to overstate the advantages or that can be counter-productive, but you need to communicate the real advantages:
    Cheap land
    Room to build suitable accommodation
    Staff are easier to find in the region
    You have two airports right next to you.

‘Too many businesspeople just don’t know about these advantages.

‘The really smart guys do know, they have done their homework.

**Advantages of the cultural diversity**

‘The diversity of cultures in parts of the North can be a major advantage. Why not take advantage for example, of the fact that Broadmeadows has a big Turkish community? Those who are entrepreneurial can see the advantages of this. The world is a smaller place now and by being in an area with strong links to different nationalities, you can do a lot of business with different countries.

‘A good example of this is the business Nu Doors on the Hume Highway, whose owner won a business entrepreneur award for his success. He is from a Turkish background and he does a lot of business with Turkey as well as right across Melbourne. Yet how many people know about this?

‘The North needs to be promoted a lot better. It is about the Council, the Government and the banks getting together and saying ‘What can we do?’ sharing initiatives, ideas, and working out how they can learn from and act on these things.’
5.3 CASE STUDY: Fred Liuzzi, of Alepat Taylor and Liuzzi Property Group

Interview with Fred Liuzzi (owner of Northland Homemaker Centre)

‘Any place will miss out if you don’t have good quality, high quality office accommodation.

‘With Northland, once we started to build (the Homemaker Centre) other people started to build.

‘I live in Heidelberg. Every day more and more professionals are moving into the area. A lot of people don’t want to be travelling a lot. I left the city and moved out here and I have seen a lot of change in Preston.

‘If we sit and do nothing as developers, nothing will happen.

‘The Olympic Hotel (in Bell Street, Preston) is now an elegant hotel but I had to take a risk to fight against the people who were there before, I had to throw people out.

‘You’ve got to come in and build something.

‘Some of the business community think Preston is the same as 40 years ago, not nice. We need to see the marketing and advertising to let people know it has changed.

‘Darebin could do more, we need a lot of office and commercial in the area.

‘I believe in Preston. We are in a high quality location. I have the belief that we can do this in Preston, I try to help there and I am here to stay and to help the area grow. We can do a lot but a bit of good publicity would help.

‘I love Preston because it’s so close to the city and it’s up on a hill – it’s a high place. I think it’s nicer here than in other parts of Melbourne. I have lived here since the 1970s.

‘I would not move to a place like Toorak. I like it too much here. I don’t like the posh feeling. I have 4 kids here and they all live here and I have built them all new houses here.

‘I want to invest money in the country. The people who come to the city must invest and believe in the city. Preston should be supported as a business destination. The multicultural aspect of Preston is an asset that is not understood: the future will be multicultural.

‘Young people go to work in Europe because we love it because of the cultures and yet they could get that in Preston.

‘There have been plenty of blue collar workers here but now there are many white collar workers and professionals.

‘I was born in Italy but have been in Melbourne for 50 years but I always remember this – that you need to work hard in business.’
5.4 CASE STUDY: The PANCH site, Asian Pacific Building Corporation

Interview with David Deague, CEO

Asian Pacific Building Corporation is developing the former PANCH site in Bell Street, Preston.

‘We are within close range of a large tertiary health complex and would like to therefore land tenants for the 4 state of the art surgeries we are planning, we would like to lease this complex to a hospital.

‘Office accommodation has been very slow but in two years’ time we feel that will have changed quite a lot.

‘We have 8000 square metres of office space in the pipeline and to land a big anchor tenant has been slow.

‘But at present it’s a full-blown building site, by Christmas it will look different.

‘The Councils are supportive but the tenants are not yet ready to come out this way. Promoting the area is very important and I would strongly support that.

‘University Hill will kick things along too.

‘In the North we have a triangle, as you go up the Hume Highway, and take in Bendigo, Shepparton, Wagga, Albury, Wodonga, Mansfield. All our country visitors (to the Rydges Hotel and adjoining apartments) to the site are coming from these areas.

‘About 60% of our student customers are attending La Trobe and RMIT and 40% are attending Melbourne Uni, with some attending NMIT.

‘We run a range of activities for the students, such as skiing and tourist trips.

‘The high level of student interest in the accommodation we offer is not surprising considering where they’ve usually been living previously, with no amenity no style and in addition, we are very affordable.

‘Virtual offices are now very common and will be integrating those. Bell Street Preston is where we are of course so we are now attracting office users from Fairfield, Alphington, Bundoora.

‘Our clients are more open to the opportunities for Preston than they were before.

‘There is easy transport to La Trobe, by either trams or buses, with trains a little further and driving to here is free – parking is at no cost.

‘In Our Stage 1, we have 97 rooms for Rydges and in Stage 2, which will not be up until next year, we will have 305 rooms.

‘There are just no alternatives at all of any sort of reasonable status, in the area at all. We get the regional conferences. The CBD is not a competitor at all for our commercial uses. Our office and commercial users are generally drawn from within a 5-10 km radius around us to the east, west and north, but not south. So essentially from Johnstone Street onwards.

‘The Warringal, Mercy, Austin and Northern Hospitals are all within our immediate catchment area.

‘On the promotion side for the North, general PR and advertising would be very useful and they need to do a promotional thing to get people thinking about the area. The surrounding suburbs are becoming quite wealthy in a way.

‘Developers mostly are from south of the Yarra so they don’t know this area.

‘We wouldn’t want to proceed with a big building without a commitment but once we have some sizeable commitments we go ahead. Box Hill did well and it’ll eventually take off the same way here.’
5.5 CASE STUDY: Ingram Property Group, Sunbury
Interview with Glenn Ingram, Director

‘Hume City Council is a very different municipality. You’ve got Broadmeadows and Roxburgh Park and then Sunbury is a different beast again. I consider these areas nearby (to Sunbury) are almost rural.

‘I feel council hasn’t paid enough attention to planning in Sunbury. I have little doubt that Sunbury is servicing a catchment area of some 60,000 people. We have a tightly constrained town centre and since 1997 we have needed a strategic plan for Sunbury.

How would this help?

‘There’s a fairly high level of escape expenditure. Sunbury’s catchment is the base of a triangle taking in Lancefield Road/Calder and NW up to Woodend.

‘Most surrounding towns have no substantial infrastructure – Romsey, Riddles Creek. Gisborne have very little there. All illustrates they’ll travel to Sunbury for retail and commercial requirements. So it’s not a reasonable argument to say that Sunbury is servicing 25-30,000 people as that ignores the catchment.

‘Sunbury is at the tail end of the zone which provides greater frequency of metro trains to the city.

‘Sunbury has a modern shopping centre built around the station. If you lived at Clarkefield or Romsey you had a choice of going to Riddles Creek railway station and parking in a paddock. Up until about six months ago, Council would not concede a major parking problem but there are significant commuter parking loads here, adding little value.

‘Sunbury Town Centre – if you take out the total retail car space – has 700 car parks for 24,000 square metres.

‘To get a permit now, I would need to provide for more than 1,000 spaces. In some circumstances you can cope with that outlay but not if it’s in commuter parking. So the first thing the council needs to do is put the parking report on the table. The solution is more decks within the Town Centre – we’ve built the only one there.

‘Operators of rail should also share responsibility. Existing retail areas would be better used if the parking issues were alleviated.

‘Strongest criticism of the Town Centre is parking – losing a significant amount of business elsewhere. Parking makes it less attractive. Council so far behind in forward planning that the Town Centre is almost 100% built out so Sunbury now has few opportunities for additional uses.

‘There’s not one single square metre of available land in Sunbury. There are no B2 and B3 zoned sites in Sunbury.

‘A government department is looking for 2,600 square metres to service the Macedon Ranges area but there is not a single suitably zoned site available. We have a couple of big sites – the Community Health Centre is on previously residential land but is still zoned as residential but can’t put more offices on it. It has a Hungry Jack’s and is still residential.

‘The strategic plan on exhibit does allow some nearby rezoning but when that rezoning is piecemeal, it doesn’t allow a big picture opportunity for developers who want to move into the town as a major user of space. When rezoning on an ad hoc basis without strategic planning in place there’s no certainty for the community and Town Centres give these people certainty.

‘There has been one piece of major new infrastructure in 7 years. I built the last significant Centrelink office in Sunbury and we had to put it in a Business 1 zone because nothing else was available. Retail was what the land was ideal for and because of the deficiency of the area for parking we had to give over a large component to parking. Over 3,000 square metres and given over nearly two thirds of that.
‘The Council needs to look for a use for the old council offices currently zoned for public use and consider those for office. Sunbury has a lot of attraction for businesses and government for Macedon Ranges.

‘If I was the council, I’d put the old council offices on exhibit to rezone from public use to a zone suitable for a commercial business park. It’s very well located and very suitable and has already become a commercial rather than a retail area.

‘We’re already short of retail land too.

‘The exhibited amendment for the West side of Horne Street is an expansion of Vineyard Road and the site of the largest shopping centre in Sunbury. Remarkably, the east side of Horne Street is zoned Business 1 but the opposite side is all zoned residential - it’s not at all attractive residential stock and most of those residential have become soft commercial uses. Though council has just exhibited an amendment to B2 and B3 all is after the fact. Almost every house has become soft commercial as a result of a do-nothing approach. The same 50-60 sites accommodate successful businesses so when rezoned they will make little difference. So to buy and consolidate would be prohibitive to the net result of the rezoning that council is doing. There will be no new jobs.

‘Same residential pockets have already been converted to soft commercial - Sunbury will have lost the opportunity to grow that retail centre for some years.

‘The north end of Evans Street - Sunbury Square shopping centre and again on the east side is still residential – notoriously difficult to consolidate as it includes flats.

‘If serious about commercial then the old council offices are ideal. The population of course want jobs to stay local. If you take retail jobs out of Sunbury then you certainly have no more than 6-700 jobs for a catchment of 55,000 or so at least.

‘Many of the commercial services for Macedon Ranges would tend to relocate to Sunbury. Opportunities for a business to move to Sunbury are almost non-existent. We ourselves are an example. A large part of our staff are commuting from the Macedon Ranges. Why wouldn’t we want to relocate to Sunbury? It has a young, well-educated population.

‘Hume’s a different municipality – there are stark differences across the area.

‘I’ve done a lot of development in Broadmeadows and there have to be tenants - we did the research and they were always there but couldn’t find a home. David realises that Sunbury is not an outpost of Hume but a sizeable community in its own right and he’s rightly concerned about the lack of available land.

‘Sunbury – many of the new residents come from Essendon, Oak Park, Strathmore. New residents bring a natural expectation of retail and commercial infrastructure and come here and find imbalances and voids. They realise the shortages. The development community tries to respond.

‘With the offices above Broadmeadows station - we saw a need for 2 things - the nature of Broadmeadows always a high need for government/semi-government offices such as Legal Aid, etc.

‘The shopping centre is a remarkable job, created as a regular hub. Council’s new offices will be a building that adds to the area.

‘You can’t regard Broadmeadows as a typical community. What we were overwhelmed by is the proportion of the non-private sector – government – that is almost exclusively the demand for offices in that area. It’s a bit spooky for developers and can be a little unpredictable and political expediency can play a part in future office location decisions for Government. But inclusion of all Government offices doesn’t provide the benefit of balance. Broadmeadows has one of the highest levels of unemployment in Victoria and that hasn’t changed in 15 years and unlikely to do so in the next 15 years.
‘In 15 years it will go on to have a high proportion of welfare agencies there and there is not a lot council can do about it.

‘Still a lot of CEOs go white at the mention of Broadmeadows and the industrial nature is a key reason for this. If your business is not highly location-dependent and you have a choice of Sunbury and Broadmeadows, they will choose Sunbury every time.

‘The image of Broadmeadows remains a concern and you can’t escape the social economics of Broadmeadows. Unless someone comes up with a compelling mythology to change it.

‘Government has a responsibility to try and service a community as it is.

‘It equally needs to be accepted that Sunbury does not service any other areas of Hume.

‘Commercially, the private sector side will move to Craigieburn if given a choice between Campbellfield and Craigieburn as they think the older areas are too industrial.

‘In Australia we’ve never really embraced the notion of office and industrial cheek to jowl. Old stuff next to modern office buildings isn’t going to work.

‘The old Siemens site in Broadmeadows – the cost of bringing it up to standard would be high. The blind spot of Hume is the Broadmeadows word. You can’t change the name of Broadmeadows. Like it or not, this is an issue. Broadmeadows will never be another Box Hill and the primary issues are a combination of image, socio-economics and location. If you try to scare them into going there, that will not work. It’s going to take some massive catalyst to change the attractiveness of Broadmeadows to the private sector. The expectations are not realistic.

‘Sunbury – still a function of cheaper land. Some very good quality builders in Sunbury’s case – standard indicators – median household income for Sunbury is 13% higher than the MSP average so relatively wealthy suburbs – function of 2 things – house prices – so lower mortgage and self-employment and professionals.

‘Sunbury has one of the state’s lowest unemployment rates yet only 15km out from the highest – Broadmeadows.

‘We have to take away the barriers. Strategic plans are so relevant to zoning now so they must be done. State government can’t escape some criticism.

‘What we always hope is that common sense prevails.’
5.6 CASE STUDY: Austrak/ Assetta Constructions

Interview with Bill Green, General Manager. The Austrak site is at Somerton

For those considering office developments in the region, it is important to understand the experience of the major transport and logistics hub in the North.

'It has been going for 8 years and is doing very well. There are a number of offices here with individual warehouses in the business park complex. I haven’t seen any particular shortages of office space but that is only because we wouldn’t get those types of enquiries.

'Across Adelaide, Sydney, Melbourne, this location and logistics centre is unique with relation to its rail siding and rail terminal. It is a transport and logistics hub. Currently transport access in Somerton Road is very good and it is excellent with the Craigieburn Bypass and Northern Ring Road.

What does the North have to offer?

'Domestically, the distance from the centre of Melbourne. It is a strategic location in terms of its distance from the West, the City and the East and it is at the centre of a national network of road and rail to Sydney and Brisbane, with great access to the Port and an international airport.

'We are only 15 minutes from that international airport, so the North is an extremely strategic location for transport.

'The North has been underestimated for a long time as a key location for transport and logistics. We have air, rail, road and sea access within 45 minutes.

'The area is a good source of labour and educational facilities, and there are business professionals nearby. In addition there is the availability of good quality mid-range housing in the area in developments ranging from Epping, to Roxburgh Park and Craigieburn.’

Outdated Image

'The old view of the North is not enhancing the image of the North. It is a myth along with all women are bad drivers and all lawyers are crooks. That image of the North is an old world view and it is an image that is not warranted.

'The image is not warranted because it is such a sensible place to locate transport and logistics businesses.

'There needs to be an effort to enhance the image – that would be warranted.’

Energy Costs

'How close the MD lives and senior management, in today’s world of high energy costs and dawning awareness of climate change, particularly when younger and middle management are more environmentally conscious, will be important. Eventually this will increasingly even influence accountants.

'There is already some movement from the absolute cheapest, bottom line thinking on how to run a business to operating a business in an environment in a cost effective manner and this applies to energy costs as well as the cost of land and access to transport systems.
**Labour force availability and ready access**

'The availability of the labour force is there. The businesses in the Austrak business park have come from Coolaroo, Ballarat, the central city area, and one of our biggest businesses, the Coles Myer distribution centre, has come from the south-east.

'This is all because of the ready access to transport linkages and to international markets. Businesses might move from a regional town to the North but often they contract out the management anyway so the preferences of management in that instance become secondary.

'The southeast of Melbourne is OK if you are only servicing the Melbourne market but if national or international, then the North is better because of the airport and port. The difference in time means that you are at least half an hour better off being based in Somerton. We now have a new rail freight service from here to the Port of Melbourne as well.

'This has all reduced the congestion on the roads and the pollution because before all of that freight went by road.

'The State Government has a 30% target for rail to port and this intermodal terminal is a big part of that.

'I think more and more businesses will move to the North because they can still service the Melbourne market very efficiently from here.

'I don’t see any particular advantages to being located in the East or Southeast instead. Somerton is within a 20 kilometre radius of the city, along with Altona and Clayton, whereas Hallam and its surrounds are within the 40km radius and they are the relevant comparison.

'If you're involved with freight and logistics, 30% of your total annual budget is your energy and fuel costs, so why would you locate your business 50kms away? There are very few guarantees in life, but increases in energy prices is one of them – they are certain to creep up and soon those costs could be making up 35-40% of your total business budget.

'When you compare Sydney and Melbourne, the costs of storing a product in a warehouse in Sydney are by and large 20% greater than in Melbourne and it gets worse when you add the petrol costs and start to factor in the logistics and congestion. The cost of congestion is a major challenge for the transport industry.

'The Melbourne Transport Statement released by the State Government specifies a major goal of enhancing transport linkages and EastLink will enhance these for the southeast but there will still be escalating distribution costs for the southeast. With the North the rail terminal will keep costs down.'

**EastLink**

'While EastLink will influence residential and industrial development, the southeast will still suffer from the lack of good rail connections that are available in the North. Businesses will be burning up more fuel to locate in the Southeast.

**Potential for the North**

'I feel strongly about the potential for the North now. 8 years ago when we first came here we had every negative experience you could list but things are really starting to happen now in the North and it really does need more office and commercial accommodation and more head offices.

'There needs to be a strong, concerted campaign to deliver that.

'The advantages of Melbourne’s North are not fully understood. There is also the ability in the North to operate in an environmentally responsible manner because of the good access.'
5.7 CASE STUDY: Folkestone
Interview with Oscar Guglielmi, Managing Director and CEO

Folkestone has just bought a large parcel of land (320 hectares) in Donnybrook Road, Mickleham.

‘The land is in the UGB and is designated as future industrial/employment zone. When we looked at forward maps, we could see a shortage of industrial. We see a market demand for that.

‘Woolworths currently has a brief out, looking for 40 hectares of land. The availability of that size land is shrinking, becoming less and less available.

‘Especially with the Craigieburn bypass, that northern area is where the growth is.

‘The introduction of land to the UGB will see the businesses in the older industrial buildings move to the outer fringes.

‘It is easier to get a whole new facility for outer areas to create an efficient new location.

Rejuvenation - Hume

‘2030 is all about high density activity centres. Old industrial areas can be converted and rejuvenation is particularly suited to the Hume area, for example the 3047 proposition project.

‘Barry’s Road is a classic example of this.

‘All the infrastructure for Hume is around this area and there are potential sites for rejuvenation: the old Nabisco site and the old Ericsson site. It is no longer appropriate for old style industrial to be occupying these.

‘If you’re a 2030 believer, logistically and fundamentally that’s what’s going to happen is large industry at the fringes and rejuvenation in the older areas.

‘The land we have bought is farming land at the end of the Craigieburn residential corridor. Our site borders on medium density residential. Mickleham Road is alongside us and turns to the airport. This setting will allow us to make the best use of the existing infrastructure.

‘Ours will be an industrial park but with the population so close, I could see offices attached to an industrial centre, eg the staff needed to run a distribution business.

Campus style

‘Access to employees is very good in the Craigieburn and Mernda corridors – we hope to see big users with campus style office and warehouse.

‘The comparison is Mulgrave, our vision is along those lines. We should be able to attract a large tenant. The timeline for us is dependent on the rezoning of land for industrial from its current farming.

‘Our view is to get a tenant to commit to something beyond the planning process. We need land use sorted out first. Everything in Hume does point to a shortage of land.

‘Melbourne is highly attractive for land prices, now that Perth and Brisbane are so expensive.

‘The driver is being able to work close to home.

‘Hume just put in about 800 hectares into the UGB – the land must be able to be appropriately zoned.'
‘The market is now dictating a focus on green and you must have a competitive edge
and your building and planning must be efficient and would be at the forefront – or you
don’t get the clients.

‘If we don’t do that then someone else will have that in a different area. We now
assume this is a given.

‘The North is seen as being competitive for new land and access to the transport hubs.
The West is now expensive compared with the North (for industrial land).

‘In terms of offices, the question is can you have the zoning and infrastructure there to
support offices?

‘The North already has some big office users.

‘It depends on how attractive you can make it. If you look at something like The Glen
at Glen Waverley, that is a reasonable comparison. Broadmeadows does have good
accessibility.

‘The Broadmeadows image is continually improving but it needs to keep improving and
transforming that image, because essentially it is just past Essendon!

‘Industrially, Broadmeadows has a big employment base.

Seeking a big tenant

‘Johnsson and Johnson and Proctor & Gamble are campus style offices in the classic
style, based at the Norwest business park in Sydney. They are important case studies.

‘Approaching companies directly is ideal – look at their current growth and property
portfolios. Go in early and give them a total solution with a special purpose built
property on offer.

‘We could go to a tenant and do a deal of rezoning or rejuvenating the existing
development. Eg the strata office might suit their existing needs.

Revitalizing Broadmeadows

‘Revitalizing Broadmeadows could only be of benefit to businesses in the area – it
would benefit all of the area, beyond just business.

‘I was brought up in Broadmeadows. It’s a generational thing, the Broadmeadows
legacy.

‘Roxburgh Park, Craigieburn, can provide the focus on the newer part. It’s in the
backfiling that there’s likely to be the most opportunities for Broadmeadows. It is only
25 minutes from the CBD so has excellent access.

‘Revitalizing Broadmeadows requires some boldness, the City of Hume has that and
they’re very proactive. All the barriers that normally confront developers are not there
in Hume – they are proactive.

‘The Council’s decision to build a bold new office building is a good thing.

‘When you look at the fundamentals, I’d rather be in Broadmeadows than
Cranbourne. In Broadmeadows you are close to Essendon, Keilor, Strathmore.

‘With the cultural diversity, it’s how it’s managed. All of a sudden sometime ago, Lygon
Street became chic and Victoria Street in Richmond is also considered a pretty good
location. It’s a generational thing, so we look at the middle eastern aspect of Sydney
Road. People are attracted to others being there. The cultural aspect needs to be one
that is friendly not threatening. Image is an issue. There is need for education about
the Broadmeadows of today.
'Hume, Craigieburn, Sunbury, Roxburgh Park, how are they different from Whittlesea? It is important to reveal this.

'The new markets will also provide a boost. But Cooper Street will be almost totally absorbed by the market.'

**La Trobe**

'La Trobe used to be seen as being in the boondocks, but not now.

'The Northern Hospital is there as well.'

**Campus style offices**

'Norwest Business Park and Macquarie Business Park in Sydney are two good case studies.

'In Texas it is all about campus style offices. The CBD of Dallas is in decay but in the outer suburbs these office bases are attracting the good schools to attract the employees, and this is what is needed.'

**Skilled workers**

'There is a need to look at the skill set that is there now, there are a lot more educated people there now.

'A lot of aspirational residents live in Craigieburn.

'The next generation may have gone to Uni even though the previous generation were blue collar workers. So these people tend to stay in the area even though they are well enough off to live elsewhere - it is more of a lifestyle approach, so for example once they are better off they might simply move to Sunbury.

'The Councils have to get their planning right and attract people to their area.

'To get a major tenant we have to put our case. We are close to the employment belt and the rooftops.'
5.8 CASE STUDY: Mercy Hospital for Women
Interview with Stephen Cornelissen, Chief Operations Officer

‘There is a need for private practice consulting rooms, we need access to appropriate suites. I’ve spoken to the CEO of the Austin and they also have this need. We need to have quality private rooms within walking distance. There are no private practice rooms in the Mercy and virtually none at the Austin. A few houses have been turned into rooms.

‘There is a desperate need at Warringal to develop more private consulting offices.

‘Bell Street is too far away, it’s not satisfactory to have to drive and then return to the hospital. If you’re looking for nearby to minimise gaps and waiting time it’s completely impractical.

‘The only options at present are too far away and multi-storey above the train station and beyond Studley Road and Burgundy Street is what we need. Even up towards the top of the intersection is getting too far.

‘There is no immediate impact but it will affect recruitment of a new generation of doctors.

‘This is the largest medical precinct in Australia when you add the two public hospitals and Warringal. We have about 750 EFT staff at the Mercy here but the Austin is much bigger with over 100 specialists. There is definitely frustration emerging.

‘We’ve lost 2 potential future specialists because they could get private rooms elsewhere and not here.

‘We’re working actively with the Austin and we’ll be discussing this very issue with the CEO of Banyule.

‘The precinct must act as and stay as a precinct and be linked to the site and this applies to the consulting suites.

‘At the moment, consulting suites are popping up everywhere in inappropriate places as practitioners try to make do.

‘The CEO of Warringal and Ramsay Healthcare believes the lack of consulting suites is holding the consolidation of the medical precinct back.

‘We would even consider moving our admin/back office functions out of this building and using this for the clinical side to help alleviate the pressure, if only there was somewhere we could move to.

‘Companies providing stocks and supplies to the hospital are not such an issue in terms of where they are located, nor are ancillary services – they can be a little further away. But specialists cannot.

‘With nurses there is a skill deficit internationally, we struggle like everyone to recruit, especially NICU, Maternity and Theatre nurses. Geography is less of an issue here.

‘Mercy has the biggest NICU but there are also units at Monash and the Royal Women’s. We have 229 beds in total including Emergency.

‘Even to lose two specialists elsewhere when we can’t keep them can have a significant effect and to lose them simply because they’re not able to obtain a private practice office suite nearby is a waste. As a training hospital it has more impact on succession planning.

‘Someone might perhaps be here for six years in training and then move on to consulting. We want to be able to retain their services at that point, as that is how most specialists work – providing a mix of public and private practice.

‘There is a shortage of obstetricians and gynaecologists across Australia. We cannot afford to lose any.’
5.9 CASE STUDY: Melbourne Airport Business Park
Interview with Gerry Neylan, Manager Property Development, Melbourne Airport

‘At the moment it is mainly warehouses with small offices attached. As far as freestanding offices go we are about to put another adjoining the Pivot site in Melrose Drive and we are discussing that site with a major institutional investor. These will be low-rise campus style offices of 2-4 levels and we are planning 12 buildings on that site of between 2-4 levels and an average of 3,4000 square metres. There will be multiple tenants in each. The size of those individual offices could go down to as small as 75 metres. We are hoping for a Government tenant and the properties would be leased not sold, because we are not allowed to sell airport land.

‘We don’t have to abide by the Hume Council planning scheme, we have our own planning scheme but usually operate under the same external planning controls as would apply to businesses in Hume. The restrictions we place on ourselves reflect those in Hume.

‘At Melbourne Airport Business Park we are still in the planning stages. There will eventually be 35-40,000 sq metres. We have already had a number of enquiries and an institutional investor who appears ready to take the first step. It will be a staged development. There are plans for inclusion of a childcare centre, cafes etc.

‘The Pivot development is a bulky goods development which would have larger scale tenants, along the lines of supermarkets, Harvey Norman type stores, outdoor goods. The park will service a radius of 30 minutes in any direction and there is a big market for the bulky goods within that range, due to the many new residential developments.

‘Plans for the Pivot site are in for Federal Government approval and we have taken about 18 months to lodge this plan. We are hopeful that the plans will be approved.

‘There’s no supply of these types of office and commercial developments at present, so now some are going up there will be plenty of competition between the two airport business parks.

‘While there will be some similarities between Melbourne and Essendon Airport’s developments, Melbourne Airport has the edge because 15,000 people work at the airport and about one third of them are in offices. The Melbourne Airport also receives 30 million visitors a year, including 22 million passengers.

‘We think the Park would be well suited to research and development, pharmaceutical, high-value, high volume product producers, IT etc.

‘Sydney has so little room around their airport and Brisbane has put up only a little office development. Perth would have the best chance because the land there is sought after.

‘International experience is relevant for us here as we know that office business parks are very effective in some of the world’s big airport precincts.

‘The questions are really around the volume of the market here, the size of the market here, because there is not a lot of land available elsewhere.

‘Privatised airports have 99 years maximum in leases for land.
5.10 CASE STUDY: Pacific Personnel, Brunswick
Interview with Cheryle Landolina, Owner

‘We have been struggling to find a venue to change to from this council building, the Moreland commercial enterprise centre. We require modern accommodation. Now all the private sector businesses here are looking to find alternative places.

‘More than 10 have moved out of Brunswick because they couldn’t get suitable accommodation. Only two have found suitable accommodation in Brunswick and are a compromise in a house.

‘We’ve found it suitable for recruitment and training – 5 in recruitment and 2-3 trainers. We need a training room with a computer and Microsoft applications and need a dedicated conference room.

‘We’ve looked at shopfronts in Carlton, North and West Melbourne, Coburg and Moonee Ponds and elsewhere.

‘There are varied issues: the Sydney Rd premises were in disrepair and we don’t want to move and haven’t set aside for it so we could not afford to set up from scratch.

‘We need to move somewhere with cabling.

‘We have seen some office premises locally that have been empty for 18 months, but they were poorly presented.

‘Those who moved out vary greatly as to where they have ended up. Of the 10 who have already moved, one has gone to Niddrie, and one has gone to Thomastown because it is cheaper. Another had moved to Thornbury but is now moving into Fitzroy to find more suitable accommodation.

‘In the north, large industry moved out years ago and most of those buildings are now warehouse apartments and units, so the space is not there any more. Sydney Rd is grotty. Coburg is the worst and filthy in some areas. In Brunswick width of shop fronts is a limitation for us.

‘Options are a modern building facility to encompass small business development but that takes a few years to become financially viable and we are only in year 4 of operations. For us to move into some premises it would be very costly and if we went further out that would present a problem for our clients.

‘Pacific Personnel specialise in office support but in Brunswick we attracted a different clientele, much more generic, became local. There is a strong motivation to use a local agency. We marketed ourselves that way and want to maintain the benefits we have gained from that, which is why we have tried so hard to find somewhere local...

‘Affordable office accommodation is an issue. We’d like to be able to have room to grow. Often what we’ve found has been too big or too little. Or there’s been graffiti in the lift or grotty downstairs.

What is there a demand for?

‘A range of smaller and larger offices, not necessarily serviced office facilities needed, usually they have those facilities anyway.

‘I had to knock on doors to find the place we are moving into.

‘There is demand for buildings able to accommodate people moving into an office out of home; able to grow the business from sole operator to employing 5-10 people. We hire out hundreds of temps a year, training 120 women returning to the workforce and need good training facilities.
'A commercial office developer would do well to reflect the Moreland Community Enterprise Centre model.

'I know personally people trying to move out of home offices right now who simply cannot find suitable offices to move to.

Lifestyle

'We'd all rather work in Brunswick, works for us to be out of the CBD, flexible for family needs.

'For lifestyle aspects, when we moved into this facility between Dawson Street and Brunswick Rd, there were no decent cafes, now there are many. The lunch situation 5 years ago was dreadful here, woeful, now we have fantastic cafes nearby.

'Our largest clients are in the Eastern suburbs and they come to us because of service.

'With letterheads, a city address or prestigious address is important. We want to look bigger than we are.

'A virtual office suits us as an add-on.

'Our candidates must be able to access our office - Brunswick is perceived as being on the city fringe, so we can manage.

'In the East the land tends to be more expensive than in the North, so that is a negative.'
5.11 CASE STUDY: Brunswick Business Incubator
Interview with Graeme Walker, CEO

‘The incubator is a small business development centre that assists small start-ups in Melbourne’s North. These are typically home-based businesses who want to get out of their home setting and move into an office setting.

‘55 businesses are here currently. We are in Victoria Street, Brunswick in the building that used to be the Brunswick Secondary College. It is now a serviced office environment, with a reception area, broadband, good telecommunications, admin and mentoring services.

‘The rental rates are subsidised by the Federal Government and Moreland Council and the Victorian Government owns the site. To have the whole place fitted out cost $1.5 million.

‘We are getting more and more enquiries all the time. For businesses to come here they must have a business plan and they must want to grow and employ more staff. It is not for retail and not for franchises, though we don’t mind if the business later goes on to franchise itself. We don’t mind if the business becomes big eventually either.

‘Within three years we expect them to move on, with some exceptions for specific reasons, sometimes around innovations they are generating.

‘Apart from this business incubator, there is also a similar one in Darebin, another in Monash and another industry specific fashion incubator in the city.

‘Ours is multi-sector and we have light manufacturing, artists, fashion, and a whole range of other business types here.

The Brunswick image

‘I think it would be great to foster the development of offices in this area that are bohemian, alternative,arty, fashion or design related. It would be a good match for the area.

‘We bring a lot to the area by being here. The other day when I went to lunch I counted 27 people going to lunch in the local community, just from our offices alone. So there is an important financial impact there.

‘Many of the people who are in our incubator have apparently moved to the area because of the incubator. Anecdotally, some have come from the South Eastern suburbs

‘Where Brunswick was previously light manufacturing, it’s now the DINKs, the funkies, the groovies, who move there. Why? Because it seen as being an area that is funky and bohemian.

‘Rentals in Brunswick are still quite cheap and the value for money here in restaurants for example is about 25% better than elsewhere.

‘Office accommodation in the area is a problem.

Cultural aspects

‘Sydney Road is the longest street of its kind in (Australia?) and there are more languages spoken there than anywhere else in Australia.'
Between Moreland Road and Bell Street is an area that already has a high number of Middle Eastern businesses and retailers there. I think it could be consolidated in the same sort of way that Chinatown has such consolidation and therefore attracts a lot of Chinese businesses. Perhaps that area between Moreland Road and Bell Street could be upgraded to become a Middle Eastern business quarter and reflect this in an upgrade to the area that mirrors those cultural influences (ie through art). This could be a business area that is specifically sympathetic to the multicultural requirements of its tenants. For example perhaps there could be a prayer room in that location.' (It is acknowledged however that many of the Middle Eastern businesses in the area are run by Middle Eastern Christians, rather than Muslims).

In our incubator, we’re increasingly being asked for a prayer room. This is a clear demographic target within the business community.'

**Carparking**

‘In Moreland, one of the greatest needs is carparking, we need better parking and more of it.

**The need to clean up the area**

‘The area also needs to be cleaned up – we need an educational process about fixing up the Sydney Road precinct and making it more presentable.

‘If there are vacant offices, they must be clean and at a reasonable price. Instead we constantly hear of stories of a space that may have been available, but it was grotty and squeezed into a grotty setting and the rental price was still very high.

‘The lack of occupation of some of these grotty vacant offices seems to create an incorrect sense of no demand, yet it is really that there is not a demand for those type of poor quality, yet high priced options.

‘In Sydney Road, the clearway at peak hour means you lose up to 8-12 hours of trade a week along that strip, from 7-9am each morning and from 4-6pm in the evening. Many cars are using Sydney Road to escape eTags and tolls.

**Storage**

‘Another barrier to development of office and commercial accommodation space in is the demand and market for storage space. If I was a developer, I’d buy some of the spaces around here for that and generate enough income from that to refurbish a building into office space.

‘This is a common problem: there is not much incentive to turn warehouses into offices when it is a lot cheaper and easier for them to use the space for storage. The zonings are the same for either purpose.

‘Unfortunately the commercial reality at present means that investors are buying up any property they can to turn it into storage because it’s cheaper to do that.’

**Evidence of demand**

‘Our incubator has been going for 5 and a half years now and most of those who moved on from the incubator have remained in the area. They have tended to be able to find suitable options but some manage the commercial rents better than others.

‘Some have moved to larger, light manufacturing spaces and so have tended to move to the area further North of here.

‘We’ve had some 12-14 graduates and there is no shortage of people wanting to come here.

‘Many established businesses have come to us but we cannot accommodate them due to our requirements.

‘Since Marianna Hardwick’s business developed in Sydney Road, rentals have gone up by 20%.'
Arty, funky, green

‘People who are coming to Brunswick are your artists, musicians, creative people, some of them manage on $20,000 a year and pursue their career as a lifestyle.

‘If it was me I would build a serviced office in the City of Moreland where offices are generally 15-20 square metres and would accommodate 1-2 people but would build it in such a way that you can expand or contract the space available for each business.

The green demand

‘Sustainability of offices is an increasing issue - the greening of office space. There is also a ‘CERES effect’ around here.

‘Tenants would be likely to pay more of a premium to go into a green office environment around here.

‘In our incubator, we are being asked more and more questions about green issues, ranging from: Who are the energy providers here? What about recycling? Collection of water is also of concern.

‘The Auto Centre of Excellence at Docklands is a good model: they can save 65% of energy costs through their design.’
5.12 CASE STUDY: Yarra Group, Nillumbik
Interview with Peter Wood, Senior Partner

The Yarra Group has offices in Diamond Creek and Heidelberg.

'We have 25 employees between the two locations. I rent one office off Banyule Council and I rent 4 shops in Diamond Creek.

'There is nothing available to buy as an office anywhere around here, nothing at all.

'Car parking is a huge issue because we are accountants we have to provide car parking for staff and clients. What annoys us is the car parking issue and the amount we are required to provide. (e.g. Medical practitioners do not need to supply car parking.)

'I looked at Heidelberg - Council needs to look at Burgundy Street and condone for offices.

'But I am past frustrated now.

'I looked at Diamond Creek and Heidelberg.

'It would take our clients too far out of their way to go to University Hill.

'I don't want to go to Greensborough.

'I would like to see municipalities doing forward planning, they say ‘we have’ and yet there are no benefits to us as we are not part of the traders - not retail - yet we are forced into meeting various retail objectives and we are fish out of water here. But we contribute to the local economy.

'I would like to have Council back us staying here - there has been no effort to accommodate our needs.

'Medical professionals can be in other areas, but office and commercial is falling through the cracks. It is costing us money and efficiency while we wait. We can’t take on any more staff at present even though we have business demand.

'Our clients come from referral outside and our staff come from all over, quite a lot come from Diamond Creek. One third live within 5kms, but others are from all over Melbourne but predominantly Northern suburbs. Some have come from Taylors Lakes.

'It does surprise me that developers aren’t responding to this demand for offices in the North. I nearly decided to develop one myself, the old Mason’s building in Heidelberg. It has a nice façade. I explored developing it but it was beyond our capacity.

'But I’d be really surprised if such a demand did not exist.

'In this local area people are coming out of their home offices and can’t find a thing. It’s all a matter of time for our business so my enthusiasm is a little less (due to retirement impending).

'Our staff are happy to live in the North. There are plenty of professionals and business opportunities in the north.'
5.13 CASE STUDY: Quadrant Securities, Nillumbik
Interview with Tom Crothers, Financial Adviser

**Quadrant Securities is based in Diamond Creek.**

'I have first hand experience from having my own business and being desperate to find more office space for my own business.

'I employ three people, my competitor employs 24. My clients come from Diamond Creek to Heidelberg.'

Why is space not available?

‘Zonings haven’t allowed development and a lack of investment is a contributing factor. Also, appropriate office space needs to be positioned for its catchment area.

'I work from a little office/front but my partner works from an office. Around here, land goes to become restaurants rather than office.

'Diamond Creek is a Business Activity Centre in Melbourne 2030.

'Between Diamond Creek Primary School and the creek is a land locked area. If the land was rezoned from housing to mixed use, this would help.

'Wensley Street and Gipps Street, East of the Diamond Creek area is currently zoned residential, and needs to be rezoned to mixed use. By stealth that area has changed to professional practices.

'Office space is critical to smaller developments like ours who have a local employee base and professional image in the community and (the lack of suitable office space) undermines commercial activity and the local economy at present.

‘There is a fair bit of concern about this issue locally.

**Why is the Market not responding?**

‘There are two key areas in Diamond Creek: the Coles site, developed by Deal Corporation, but he’s only interested in big anchor tenants.

Diamond Creek Plaza – old development.

‘Going back to the 70s – if it could be redeveloped it would be ideal for this (currently owned by 40 landowners and they are rent sensitive.

‘If I don’t find a solution I may downsize the business and work from home and divide the business.

‘Some of my clients are small businesses, local, University people, State Government people, and some are in businesses that took them elsewhere.

‘The Northern suburbs certainly do need a lot of investment and office space.

‘There are plenty of up and coming aspirational Northern residents and there are the existing old school.

‘Nillumbik is similar to the relatively affluent suburbs around Ryde, but there is no train line to Ryde.'
5.14 CASE STUDY: 60L, Carlton
Interview with Alistair Mailer, Building Manager & Project Director

‘60L has a large waiting list. Most of their interest is about whether it’s a pleasant place to work. We have 13 tenants at present; the smallest tenancy is 305 square metres and there are about 35-40 people there. ACF has a whole floor that’s 1,000 square metres.

‘The building uses only about 30% of the average energy use of comparable buildings. It uses less than 20% of the water of a conventional building and fresh air is also possible.

‘Yes, we believe the demand is increasing for this type of building.

‘A tenant was recently reviewing a lease against market rates and were in fact advised of a new rate and independent valuation because of the premium for green offices.

‘My feeling is that there is increased demand to refurbish to give them green characteristics.

‘The issue that is as important as anything else is not so much the environmental characteristics but the essential feature is that we have a chance to provide a healthy and pleasant place to work. It is considered a much more productive place to work.

‘In broad terms, other buildings are improving their green credentials also. The evidence from the US shows that just as the debate on climate is changing – intensifying – the same is occurring on green buildings. A modern building will become a status issue and the importance of being seen to have these will increase.

‘It is also about future proofing in terms of energy. The key to it is more that the cost saving is in a more productive workplace. Yes, there is hard evidence now on the increased productivity in green buildings.

‘We also surveyed our tenants and asked them about productivity and about two thirds said that their productivity had increased by 10% and one tenant gave a percentage in the high teens.

‘Moreland is seen as progressive and would be well suited to green building transformation. Old buildings often have attributes that can tend to lend themselves to energy efficiency, for example, high ceilings, greater wall mass, more insulating, thermal, for energy conservation. Thick walls can be very useful.’
5.15 CASE STUDY: Ming Zhang & Associates, Preston
Interview with Ming Zhang, Managing Director

‘Now lots of Chinese people are trying to invest in Australia because of the rapid development in China and they have a lot of money there and want to do something with those funds.

‘The concerns for them are getting the information they need on: where to invest? What sort of assistance can they get from the Government here? What sort of incentives are available to them?

‘There are many of these Chinese businesspeople with lots of funds to spend here and they like to do business here. They have concerns about some aspects though, like the working hours here, they think they are too short, for example in Shanghai businesses can open 24 hours a day if they want to and so when they come here they wonder why businesses close at 5 o’clock.

‘There are also the language barriers, many do not speak English. Business migration for business investors is important for them. They see this is a big environment, a big land, and they like that they feel there is not much Government involvement in businesses here and no bribery and corruption.

‘They have been responding very well to Darebin, one of my clients wanted to invest here.

‘The fact that office space is limited here is a problem. They usually prefer the combination of warehouses plus offices and consider that to be the perfect option for them.

‘Preston, like Box Hill, is developing a lot at present, especially central Preston.

‘I’m an accountant and I normally work for the Chinese community and you can see in the Northern region, I am the only Chinese accountant in the area and I have at least 50% of the Chinese businesspeople in the North as my customers.

‘There are no good quality office vacancies in High Street, Preston. Most offices are upstairs above shops.

‘Rental is the first consideration for my clients when they are looking for office space. The location of an office is not as important as the location of a retail space. Most clients would prefer to own their office rather than lease it.

‘Preston does not really have a high number of Chinese. My business clients come from Preston, Coburg, Hume Council area, and Whittlesea. About 50% of my clients would come from those areas.

Living there

‘I live in Preston and I live here because my wife wants to keep living here and because it helps my business too.’ Ming Zhang

‘I have the ability to buy in Hawthorn if I wish, but my wife sees it differently and wants to stay here, my family is preferring to live here and we have all lived in the North for a long time.

Carparking

‘Carparking restrictions are a problem for those who would otherwise be happy to develop quality office space in the area. I would like to see some alleviation of some of the parking requirements. For example I would like to go to 4 storeys on my office but this is not possible because of the parking requirements, which I cannot provide on this site. My land is only 200 square metres.'
‘The car parking issues are restricting the development of office space for sure.

‘We need Preston to have a central business area just as Whitehorse and other places do, Preston does not really have this yet. The redevelopment of the Preston Market will be very important for the area.

‘More and more Chinese have their shops in Preston and this will also be boosted by the Market development. I fully support the redevelopment.

**Changing demographics**

‘A more skilled workforce now live in the area too.

‘Throughout the North, you have people moving out of Preston to Thomastown because they can’t afford it here, but then those houses are filled by those who can afford to live here and who have good jobs and are moving here because they want access to good transport and good schools.

**Schools**

‘The North does have a need for more good schools. I send my kids to Ivanhoe Grammar but my kids can’t go there easily.

‘The Government needs to improve and upgrade the existing schools so that they are much better because we need the best public schools. The City of Darebin should push for further upgrading of Northcote High School.

‘Schools are a big issue for Chinese businesspeople.’
5.16 CASE STUDY: Jones Lang LaSalle
Interview with Nerida Conisbee, Director, Research Consulting

‘One of the issues is that the office stock is mostly fairly old in the North. There is very little new stock there.

‘Occupiers tend to want to locate in South East because they have historically tended to do so and because of the demographics.

‘The North is coming off a much lower base and more occupiers are becoming interested in the area.

‘The MAB/University Hill development will be a real positive.

‘The triangular workforce demographic in the North is a real positive. It has been a more traditional blue collar area, but there is now a much greater mix and areas that are now very well populated with university educated people.

‘We will start to see more demand but it is off a low base and not established as yet.

‘When multinationals come here it’s easier to sell the South East when going back to the board.’

‘CEOs do often have a preference and tend to like to work near where they live - South Yarra, Camberwell and Hawthorn.

‘Often a business case does have to be built though and that is where the North has a better opportunity.

‘The South East does have the start of excess supply, for example, in Waverley we are starting to see 20% vacancy rates but it is one of the most popular office locations so I think that will be absorbed.

‘Richmond and South Yarra are close to the CBD so obviously they have that advantage.

‘Public transport is irrelevant in the South East. People work there because they can drive there and there is lots of parking for big fleets. In Richmond and South Yarra - parking is an issue and they benefit from public transport.’
5.17 CASE STUDY: CB Richard Ellis
Interview with Glenn Lampard, Associate Director, CBRE Research

'We monitor the suburban office market up to the Ring Road, but this has limitations because it cuts out Melbourne Airport and therefore cuts out 48,000 square metres of mixed use that is planned for that area, predominantly retail developments.

'Less than 8% of the office market of Melbourne is in the North and West (approx 178,000 sq metres) but vacancy rates there are quite low - at 3.2% mid 2006. This is an extremely low vacancy rate. In the whole metro market across all regions of Melbourne, there is a vacancy rate of just under 8% and that is creeping up of late, while the vacancy rate of the North/West is staying low.

'The North has had an extremely tight office market for a long, long time, as it is not considered a traditional office market. When built, office developments have typically been on the back of significant pre-commitments and so they are built to specific requirements. A company comes in and sets the whole office - it is not a speculative development.

'With University Hill, we were hoping that MAB would build and run the whole business park but instead they’re selling off the individual areas. (This will reduce the ability for University Hill to be easily monitored as a test case for tenancy and occupancy).

'It is only in recent times that people have started to take notice of the North at all for office developments.

'Tertiary education premises are generating this interest to some extent. But also the massive population growth in the North.

'This Census is very important for the North. We use the DSE population forecasts for the North (but these still have limitations). 'Because the North is not an established office market, you don't really like hanging your hat on these figures, especially because they are ultimately based on the old Census data too.

'The real question of the North (and West) has been the education standards and skill levels of the workforces there. With unemployment rates so low, you could think some business owners would want to tap into a relatively untapped workforce market.

Why are most holding back even if they are thinking of locating there?

'The population is there, it is just the makeup of that population which is key. The quality of the white collar workers from the North is important. It is obviously not like the East and South East in many ways.

'Developers will only build an office building in the North if a tenant is going to commit to going into it.

'There may be additional demand in the North that we are not aware of.

'East Link at present is providing the opportunity for the office market but it is becoming more apparent that it's going to open up the office market in the South East and so a lot of speculative developments are being built to capture anticipated demand. This should help open up the office worker market further though.

'The Western Ring Road is seen much more as an industrial contributor.

'Developers will wait and see what the quality of the population is like out there (in the North). We expect to see an increase in education levels and the standard of skills and incomes - these are likely to have increased between the Census periods.
The dream homes of the North are another aspect (to watch) – there are plenty of expensive substantial homes and these home’s owners are probably being affected by interest rates and petrol prices. Given an opportunity to work close to home, they would be likely to grab it.

Our psyche is that humans are habitual, if we grow up in a particular area, we tend to stay in the area, to remain in our family area can be a major consideration, but the new population of the North and West are seen as perhaps the first time in Melbourne that people have moved from other sectors (of the Melbourne pie), such as the inner East etc. They may have been renting in Hawthorn and end up buying in Northcote or Seddon, because of price pressures or because they want to move from a single fronted house to a double fronted house.

Tracking the movements of people in the next Census results will be interesting. Timelines with census data are very slow though, especially with workforce data.

We monitor what’s under construction and what’s mooted over the next 12 months or so.

But this is only for the CBD, St.Kilda Road and Metro in total and it is provided by Access Economics, but it is not available for the regions of Melbourne.

There is a massive difference between the construction cycle of the 80’s and this time.

We are looking at about 500,000 square metres being built in the CBD and surrounding area (inc Docklands) since 2002 (this would compare with figures in the million plus range in the 80’s).

This is an example of why you can’t always rely on historical information.

There are changing office needs and demands and styles. There has been a real move to more campus style accommodation rather than tall, multi-storey or skyscraper offices. The campus style offers a number of advantages including much better use of natural light. In the new ANZ building at Docklands, some floors will be 10,000 square metres across a single floor.

This campus style is well suited to the North and its land availability. The density surrounding a large inner city building means that there are much longer lead times and it is much more difficult to get planning approval for a campus style office hence it is easier in places like Docklands (or the North) as there is much less disruption.

A lot of the development in the South East is in areas where building is already going on, in and around a housing estate for example.

It is easier to build in the North, but is it going to sell? And is it going to be occupied? is the question.

At the moment, with so much super money around, people are looking for somewhere to park their income, so selling the office building accommodation is not the problem, but future tenancy in order to ensure long-term return, is the issue.

The level of demand to fill office buildings ( wherever they are) is the big question.

In the South East, it is more valuable if you can sell a building with tenants, it brings a higher price.

There is a Brandon Park office development, towards Burwood, we just sold it this year and it was 40% vacant but when it went to the market a lot of people were interested, despite the long-term vacancy rates. It sold for $57 million because there are a lot of syndicates with plenty to spend and not much to buy. Henderson Marks bought it and these guys have a track record of leasing up and they then carve it up and sell it off that way.
‘A lot of businesses in the North and West and in parts of the South East are in buildings that are at least 15 years’ old and they are cramming in the workers, squeezing into the original offices, so the quality of the offices is poor and likely to have bad air conditioning and low environmental standards.

‘Government tenants are always one of the higher office users and those with the State and Federal Governments have a minimum ABGR requirement and Green Star ratings.

‘Both State and Federal Governments have determined that they will not allow occupation in a building that’s less than 4 to 4.5 stars and I would bet that very few buildings in the North would currently fit this requirement.

‘The North is almost tailor made to a green aspect – its fit with environmentally sustainable development (ESD) is good and the University connection is also an additional good fit.

‘We are only now starting to get data on the benefits of ESD and it is only now that private industry is starting to get behind the Government sector on ESD.

‘Investa believes some of the biggest drivers for office accommodation are related to the environment.’

‘The Property Council of Australia now includes ESD requirements for buildings and has office building grades. They are massively green. You can go there to their office building and get a magazine and they have green articles in every edition. For years they have been the people who have graded our offices here in CBD, Southbank, St Kilda Road, and East Melbourne.

‘They have a whole list of criteria and up until 18 months ago they were purely mechanical and technical, now has the ESD components too and the gradings are A-D.'
5.18 CASE STUDY: Darebin Enterprise Centre
Interview with Bob Waite, General Manager

‘46 businesses on site, not all office based businesses we have about 17 office type businesses. Would be approximately 35 employees across the 17 businesses. Some are getting ready to move and finding it very difficult to keep them in the area. We’re only 7kms from the CBD and price is an issue to some extent. $200 per square metre.

‘Looking for less than 100 square metres maybe only 30 square metres. Definitely the area where they’d find it difficult.

‘There are offices available from time to time of 150-200 square metres. Generally a lot of landlords want one business based there rather than 4 or 5.

‘Some of our bigger clients here have moved to the CBD because of B-grade office vacated.

‘1,500 square metres at Docklands for office purposes they have about 30 staff in these premises, went up from 4 to 30 in 5 years.

‘We have a logistics business here currently operating here in 45 square metres but would probably need to double that.

Storage

‘Converting light industrial to residential housing and storage - Upper Heidelberg Road in Ivanhoe has a major commercial building that has gone to Kennard’s storage. I have heard of at least one person who is using that cubicle space as office space. ‘In the middle of the Ivanhoe shopping centre opposite the Macintosh Centre and was allowed to become storage.

‘We often have people here starting a new business setting up as individual contractors and find difficult to work from home looking for quality office space.

‘There is a higher return on residential and on storage than on office. $150 a week for 10 square metres storage. $80-100 a week per 10 square metres for the same amount of office space (which would typically be a minimum of 30 square metres).

‘Zoning needs to address this.’

Loss of commercial land to housing

‘The net loss of commercial to housing is a big issue and concern to us.

‘The tramways depot – huge between the railway line and St Georges Road, could have been office space but became residential.

Yarra - Alphington

‘We’re in Alphington – we’re behind the Dan Murphy’s and on the old Northcote depot side. Yarra is just as difficult for office space - in fact we’re finding many tenants coming from Alphington.'
6. List of Conclusions

Conclusion 1: Promoting the success of University Hill is one of the most critical outcomes of all in triggering greater confidence in office developments of this kind across the region. (page 25)

Conclusion 2: The North is already facing multiple challenges in achieving increased commitment to office and commercial accommodation developments - it cannot afford to compound these through inflexible and unresponsive zoning. (page 15)

Conclusion 3: There is a clear need to commence marketing campaigns and develop strategies aimed at changing perceptions of decision makers about the North. The challenge is to get past the slogan and convey the genuine strengths. (page 28)

Conclusion 4: Many developers have a great reluctance to consider the North seriously for office development. This reluctance needs to be overcome through a range of measures. (page 30)

Conclusion 5: A common theme emerging from this series of interviews is one of a range of developers who are wary and sceptical about prospects for office and commercial developments in the North, yet they are circling, watching, considering. The challenge for NORTH Link/NIETL and its members is to achieve a conversion of this interest to commitments. (page 30)

Conclusion 6: This developer's comments reinforce the reality of the office accommodation issue for the North - it's a hard sell to convince some of the most important developers and it's an issue that needs all the backing it can get to allay concerns and get these tough decision makers over the line. (page 31)

Conclusion 7: Provision of information on the reasons why the economic data doesn't always stack up well for office accommodation in the North is an important starting point: the lack of historical patterns and the outdated nature of the last Census data. (page 33)

Conclusion 8: Fostering promotion of locations within the North, (primary among these is 'the airport') will help to gradually chip away at the overall image issues. (page 37)

Conclusion 9: An office based in the Northern region could naturally draw its professional employees, executives and skilled labour from the North East as well as other areas. Equally the wealthy North Eastern areas offer plenty of lifestyle and housing scope for a CEO or senior executive who wishes to be located near his/her office. (page 37)

Conclusion 10: Family, multicultural, religious and sporting connections to the North are among the range of factors involved in the decision to live in the North by many highly skilled professionals and very wealthy businesspeople. These aspects are not well understood outside the region. (page 38)

Conclusion 11: Many developers, who typically live in the inner city or East or South of Melbourne CBD, cannot understand why anyone would want to live in the North and can certainly not understand why anyone would want to work in an office there. This is a real barrier. (page 38)

Conclusion 12: The increasing availability of vacated office space in the CBD, due to moves to Docklands, has created additional competition for the North, with some of this CBD space being comparatively affordable. (page 39)

Conclusion 13: Strategies aimed at revealing to what extent the North is ‘there yet’ will be important. (page 40)

Conclusion 14: The North is well-placed to draw from a mix of labour. It is well-placed to draw from this diverse area as it can pull staff across from Manningham, Banyule and Nillumbik to the East through to Gisborne, Macedon Ranges and Sunbury in the West. (page 42)

Conclusion 15: It may be that rent sensitivity on office accommodation is more acute in pockets of the North, but it clearly does not apply in all cases and this study has found no evidence of any differential on office rent sensitivity compared with comparable business owners elsewhere. (page 44)
Conclusion 16: The North is seen to offer great scope for development of sustainable office buildings. There are many reasons why parts of the North have particular advantages: in addition to Whittlesea having a range of sites that still provide the opportunity to integrate sustainability measures into new office developments; areas within Moreland offer great scope for retro-fitting older buildings and creating a funky, green office niche within suburbs such as Brunswick; and the ‘green’ image already associated with areas near to the Yarra River, provide further opportunities to capitalise on green attributes. (page 46)

Conclusion 17: Branding space within parts of the North will be an important way to develop a stronger image for those areas while also breaking down the images attached when the North is referred to as one region, bringing all of the image baggage with it. (page 48)

Conclusion 18: Despite the accepted difficulties in measuring supply of and demand for office and commercial accommodation and land availability for this purpose, it has emerged from this study that this would be a valuable contribution the State Government could make and one which would be of great value to each of the 5 outer suburban growth areas where lack of office and commercial accommodation is of greatest concern – that is, Hume, Whittlesea, Melton, Wyndham and Casey-Cardinia. (page 50)

Conclusion 19: Serious concern was raised by one major Sunbury developer about critical issues of land availability within Sunbury, and the need to address these, so that office accommodation opportunities are not lost. (page 51)

Conclusion 20: Nillumbik is in real danger of losing key office-based businesses currently located within the municipality, with a corresponding impact on local employment, if urgent measures are not taken. (page 52)

Conclusion 21: In the North, there appears to be demand waiting to be met. Well located, modern, well presented, easily accessible offices with good facilities at a reasonable price are what is needed. (page 54)

Conclusion 22: Office vacancy rates in the North are the lowest in Melbourne (3.2% in mid 2006). While this is related to the small number of offices in the North, it is also a reflection of the tight market. (page 54)

Conclusion 23: When individual offices experience vacancies in the North they are often seen by a nervous market as providing evidence of lack of demand, but indeed these are more likely to be isolated cases of offices in unsuitable settings surrounded by poor quality or a lack of amenities. (page 54)

Conclusion 24: There appears to be considerable evidence of demand for office accommodation linked to the precinct around La Trobe University. The La Trobe University R & D Park is still meeting a big demand. The La Trobe R & D Park says that in the last 3 years, they could have filled an empty office building three times over. (page 55)

Conclusion 25: There is a similar level of overflow and demand represented through the business incubators in Darebin and Moreland, which also constantly have waiting lists and whose tenants regularly struggle to find suitable accommodation once they need to move on from the incubator. (page 55)

Conclusion 26: Large business headquarters are not necessarily absent from municipalities such as Moreland, Darebin, Whittlesea and Hume because they have rejected the locations, despite the fact that this is often the assumption. In at least some cases, they considered those areas and would have been keen to move there, but could not find anything suitable. (page 57)

Conclusion 27: A good number of business banking customers are looking to build commercial offices in the North, out of choice, as they see it as a good investment. (page 57)

Conclusion 28: With the State Government placing such a premium on the role of Broadmeadows, it may be appropriate to increase that support through re-location of a number of major State Government offices to new, quality buildings within the area covered by the Proposition 3047. (page 60)
Conclusion 29: La Trobe University has funding approved for a secondary school to be a Centre for Excellence in Maths and Science. This type of Government school will fit very closely with the aspirations many families have for their children, and is therefore likely to contribute to the attraction of more skilled workers and professionals into the area, including those from diverse cultural backgrounds where a high premium is placed on good education. (page 61)

Conclusion 30: It must be acknowledged that school quality as an office location attractor is very important and is likely to be of higher importance than more superficial enhancements such as nice trees and parks. (page 61)

Conclusion 31: The $90 million Schools for the Future program for Broadmeadows Transit City is an example of the improvements to schools likely to meet the requirements for improved school environments in the area. (page 61)

Conclusion 32: The North has been seen as being on the cusp of changes for perhaps ten years and many still say this – the challenge may well be to hasten that timeline for change as much as possible, through marketing the area and its advantages. (page 63)

7. List of Recommendations

Recommendation 1: Develop strategies to seek and pursue potential multinational commercial office tenants as well as prominent State and Federal Government tenants. (page 22)

Recommendation 2: Promote the reality that a well-placed quality office development in the North has access to a workforce of approximately 700,000 people across a band from Sunbury and Gisborne and areas closer to the West, right through to the North East. (page 23)

Recommendation 3: Those involved with University Hill should do everything possible to support the success of this development, given its importance as a catalyst. (page 25)

Recommendation 4: Third party acknowledgement of the success of office tenancy of University Hill will also be important when the time comes, to address concerns that its success may only lie in the sales of offices. (page 25)

Recommendation 5: The Siemens case study is valuable and should be promoted along with the University Hill story. (page 25)

Recommendation 6: Where there are substantial physical negatives in streetscapes and settings intended to ultimately become key office locations, consider pursuing revitalization programs. (page 26)

Recommendation 7: If the Council or the State Government intends an area to become the site of offices, support all measures aimed at improving the amenity of the area and promote those amenities in the area that are of a high standard. (page 26)

Recommendation 8: Councils within the study area should take every possible measure to provide an environment with maximum access to the latest communications in any area where offices are sought. (page 27)

Recommendation 9: Councils could work with the State Government to fast-track planning scheme amendments where it will otherwise have a negative impact on plans for developments containing an office component. (page 28)

Recommendation 10: The Councils need to think: “What do the developers, need to encourage them to build offices?“ and is there a need for flexibility in planning provisions? (page 28)

Recommendation 11: Where areas of the North remain badly presented, initiatives should be taken by Councils to change that. Where transformation of an area has occurred, and there is clear evidence of this, the area needs to be marketed or its old reputation will simply remain due to the lack of knowledge about the changes. (page 29)

Recommendation 12: Do not try to promote an area beyond its current reality as this could be counter-productive. (page 29)
Recommendation 13: Do not seek to promote the office and commercial strengths of the North through indirect links to industrial strengths as an industrial base does not necessarily provide the basis for office developments. (page 32)

Recommendation 14: The northern region through NORTH Link/NIETL and the seven Councils should consider becoming early proponents in seeking to begin the early discussions on the need to join the North to EastLink. (page 36)

Recommendation 15: There is a critical need to expand the level of understanding of what drives the North and who lives and wants to work in the North, with a greater focus on the various parts of the North and the characteristics of each - demonstrating that the North is not one homogenous region. (page 36)

Recommendation 16: If it is the words ‘the North’ that are part of the problem, then reduce the emphasis on this location description and instead, promote the assets of the North through a focus on pockets and locations within the North which have their own appeal. (page 37)

Recommendation 17: Strategies should be put in place to increase awareness of who chooses to live in the luxury homes in many of the new estates in the North and why the residents of these homes have chosen the location and often, the lifestyle. (page 38)

Recommendation 18: Strategies aimed at promoting far greater awareness of the mix of successful businesspeople who live in the North are necessary to address the lack of understanding of this facet outside the region. (page 40)

Recommendation 19: Commission a quantitative study of key housing pockets within the North to obtain information on these areas that will not be revealed in the forthcoming release of Census data, including how those residents perceive and describe the area and why and how they came to live in the area. (page 41)

Recommendation 20: Where Councils can support measures likely to lead to an increase in the proportion of their populations with higher levels of skills and professional qualifications, these steps should be taken, due to their importance in driving confidence in office developments. (page 41)

Recommendation 21: When available, the most valuable new findings must be actively promoted to provide evidence of changed demographics and emerging patterns since the last Census. Such analysis must take in the characteristics of the entire band from which employees could be drawn - from Gisborne through to Doncaster, Blackburn, not just the seven municipalities in the northern region of Melbourne. (page 42)

Recommendation 22: Graphically represent the geographic band from which businesses in the North can draw and include this representation in marketing approaches. Include demographic data from the new Census results that reflect the strengths of employees within this band. (page 42)

Recommendation 23: The employee band as identified in Recommendation 22 needs to be actively promoted. (page 42)

Recommendation 24: In marketing materials, address the issue of perceived risk of developments in the North and provide evidence of outcomes that reveal the risk perception was over-stated. (page 43)

Recommendation 25: Concerns such as rent sensitivity should be addressed in a realistic way in marketing materials, to address the concerns that many do have about the North, while revealing some of the case studies available to date. (page 44)

Recommendation 26: The suitability of parts of Whittlesea (and possibly Hume) to campus style offices should be highlighted in marketing of the area. (page 44)

Recommendation 27: The potential of parts of the North as ideal locations for green buildings is a major advantage and one that is timely and should be marketed immediately, given the rapid pace of increasing business interest in this matter. (page 46)

Recommendation 28: Prepare a simple, indicative graphic representation of the different ways in which each of the strengths and attributes of the North could be actively promoted for business. (page 48)
Recommendation 29: Those Councils with some of the more prestigious locations, namely Banyule with Ivanhoe and Yarra with Richmond, could potentially encourage the establishment of ‘virtual office’ facilities, requiring limited space and able to provide the requisite high prestige address. (page 50)

Recommendation 30: Representations should be made to the State Government requesting that the Urban Development Program commence a systematic measurement of supply of and demand for office and commercial accommodation and land availability across Melbourne, with particular reference to the five main growth areas. (page 50)

Recommendation 31: Publicising the innovative zoning response to University Hill would be a valuable means of encouraging other councils to consider such a response in order to facilitate a major catalyst development. (page 51)

Recommendation 32: Banyule must provide a zoning solution for the Heidelberg medical precinct as soon as possible. (page 51)

Recommendation 33: Nilumbik Council needs to take deliberate measures to demonstrate practical support for office accommodation options for businesses in Nilumbik, including clear promotion of their preparedness to be responsive in zoning, to prevent ideal office locations being lost to other commercial uses. (page 52)

Recommendation 34: Clear signs should be given of the Council’s backing of local businesses and planned action to remove barriers to those businesses remaining in Nilumbik. (page 52)

Recommendation 35: Yarra should continue to resist pressure to convert land used for employment purposes to land for residential or other non-office and commercial uses. (page 52)

Recommendation 36: Councils must maximise options for use of high quality land, help the developers reduce the risk and allow these uses. They must be able to go to the developers with half the work done and be responsive to market forces. (page 53)

Recommendation 37: Councils intent on strengthening the supply of quality office and commercial accommodation within their municipalities must remove barriers at every opportunity. (page 53)

Recommendation 38: Darebin should consider a planning response that may prevent quality potential office buildings being converted for use as storage. (page 53)

Recommendation 39: Banyule should consider a planning response that may prevent quality potential office buildings being converted for use as storage. (page 53)

Recommendation 40: Given the high rate of competition for various commercial uses in parts of the North other than office, there appears to be a need to consider changing zoning of the most important areas from residential to commercial, with provisions more tightly tied to office. This will free up more land for office developments in those areas where this is critical, however this issue would need to be managed and considered carefully, with reference to the factors involved within each municipality. (page 53)

Recommendation 41: Beginning the process of ‘seriously discussing the North in an office market context’ is exactly what needs to now happen and every possible opportunity to do just that should now be taken. This could include a series of presentations of the findings of this research, but other opportunities will also exist, including case studies of University Hill and the Council’s co-operation on that project. (page 58)

Recommendation 42: Continue and strengthen the projection of Melbourne Airport and surrounds as ‘the airport’ rather than ‘the North’ if that is what will assist the North. (page 58)

Recommendation 43: The strategic importance of the presence of Melbourne Airport within the North cannot be overstated and needs to become a key focus of discussion about the potential for the North. (page 59)

Recommendation 44: Moreland may wish to consider investigating the consequences of the Essendon Fields office developments on plans for office development within Coburg and seek to address any concerns that arise as a result of this process. (page 59)
Recommendation 45: Broadmeadows and Epping remain crucial locations in the North due to their Transit City status. This status needs to be matched with concerted efforts to attract and support office development in these areas through planning support and other forms of practical assistance. (page 60)

Recommendation 46: Councils are encouraged to do everything possible to dramatically improve the image and performance of local Government secondary schools and to advocate strongly for local schools, due to its critical link to the development of office accommodation. (page 61)

Recommendation 47: Promote the great strengths of the two newest pieces of Northern infrastructure: the Ring Road and the Craigieburn bypass, as two major reasons why developers should take a fresh look at the North. (page 62)

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9. Appendices

9.1 ‘Drivers of Office Development in Melbourne’ – SGS Economics & Planning

9.2 A Workforce of 700,000

9.3 Different Areas, Different Images
Appendix 1

Drivers of Office Development in Melbourne
Executive Summary

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Executive Summary

SGS has been commissioned by NORTH Link/NIETL to compile knowledge on the drivers behind the demand for office development and its locational pattern. The work has been undertaken entirely on a desk top basis, relying principally on previous SGS reports. Customised modelling/projection work was not undertaken for this project.

Section 1 introduces the global forces affecting office development in metropolitan areas. Section 1.1 details the impact of globalisation upon the economies of advanced nations, such as Australia, whilst associated developments in Information and Communications Technology (ICT) have also impacted upon the spatial pattern of office development. The transition to the ‘New Economy’ has seen associated changes in production processes while employment structures have also been modified, with spatial implications. Section 1.2 introduces two typologies which offer insights into the location preferences of office space users, and the drivers of office space development.

Section 2 profiles office development at the national level. The Australian economy has undergone significant structural changes as a result of globalisation and the ‘new economy’, with significant spatial implications, including the need for office development to ensure Australia’s cities can compete in a global city hierarchy and to provide for the capital city functions for each of their respective States. Section 2.1 examines Sydney, Australia’s ‘first order’ global city which has developed a diverse economic structure both in its national base and in its international orientation. The other capital cities and their office markets are then profiled in the rest of the section.

Section 3 reveals the pattern of office development at the metropolitan level in Melbourne. Melbourne’s economy is founded upon advanced manufacturing, business services, research and development, and transport and distribution. Within the manufacturing sector there has been a significant shift in the nature of employment, from the factory floor to the office. Section 3.1 describes the distribution of office employment in Melbourne, plotted using ABS Census Journey to Work data. Section 3.2 introduces the trends in office employment which have been observed in Melbourne’s sub-regions. Section 3.3 reveals office floor space projections for the Northern Region between 2001 and 2021, during which it is likely to accommodate around 560,000 square metres of additional office floor space.

Section 4 details the implications for office development in Melbourne’s North. There are three broad groupings of factors that can be expected to reshape the potential for office development in the Northern Region. The first concerns the process of changes in the way customer value is created in the ‘new economy’. In a second and closely related trend, work patterns are changing. Work is now more casualised. Thirdly, market forces will play out within a framework of government policy and public investment. Business type is a key determinant of office locational preference, while the traditional drivers of office location also remain significant. As proximity to the Central Business District remains of relevance to office development, the region is reviewed according to the geographic locations of its constituent municipalities. Section 4.1 analyses the inner municipality, the City of Yarra. Section 4.2 profiles the middle ring municipalities of Moreland, Darebin and Banyule. Section 4.3 describes the implications for the outer areas of Hume, Whittlesea and Nillumbik.

Appendix 1 – Drivers of Office Development in Melbourne
1 Global Forces affecting Office Development in Metropolitan Areas

Globalisation has had a dramatic impact upon the economies of advanced nations, such as Australia, whilst associated developments in Information and Communications Technology (ICT) have also impacted upon the spatial pattern of office development. Economic restructuring, brought on by the realignment of national economies within the global marketplace, has seen a rise in the service sector, a major source of office demand. The advent of the knowledge economy and the ‘unbundling of value chains’ (see below) have also changed the demand for office space across the metropolitan landscape, as specialist functions have emerged with differing locational preferences.

1.1 Globalisation and the ‘New Economy’

Globalisation is defined as “the intensification of international economic connections’ in the closely related areas of production, trade, investment, and finance.” This paradigm, increasingly evident over the past two decades, has been “intensified by the accelerated shrinking of space brought about by developments in information technology and air transport, by the deregulation of the global financial system, and by government policies that aim to encourage freer international trade”.

In developed nations, globalisation has manifested in a ‘new economy’, “characterised by deregulated capital, labour, and production systems, dismantled tariff barriers and liberalised trade, and is reflected in a shift to a services-dominated economy utilising knowledge-based, information-intensive processes of production”.

1.1.1 Global Changes in Production Processes

Previous SGS work has revealed the following aspects of globalisation to have had significant impact upon regional economic development in metropolitan regions.

• **‘Unbundling of the value chain’**. This is an acceleration of a centuries old process of specialisation in economic production. Instead of firms carrying out all aspects of the value chain in house i.e. - human resource management, technology development, procurement, inbound logistics, operations, outbound logistics, sales and marketing and after sales service - they are now more likely to outsource all but key functions. This improves technical efficiency in the value adding process, as firms gain scale economies and concentrate upon their core business. It also reduces risks in staffing and stock inventories.

  A consequence of this unbundling is that more companies are managing global value chains - sourcing inputs as required from a wide variety of suppliers in many countries, resulting in much less locational inertia than in the past. Regions need to be involved in as many global value chains as possible, even if only a fraction of the overall value adding process takes place locally.

• **E-commerce**. The business-to-business aspects of e-commerce represent a more potent global force than business-to-consumer developments in electronic trading. Identifying and transacting supplier alternatives over the Internet further accelerate the unbundling of value chains. Backward linkages (sourcing inputs) and forward linkages (distribution channels) are rendered more vulnerable to external competitors. The technology enables previously locally focussed companies to adopt an export orientation - for example, local professional services can reach out to markets well beyond the immediate region.

• **Rise of advanced business services as the key to regional competitiveness**. In the globalised and unbundled production environment, companies need access to the best advice on where to make cost savings and how to enhance customer value through improved product content, design, packaging and delivery. Consequently advanced business services, for example, financial brokerage, patent attorneys and other specialised legal advisors, economists and business analysts, management consultants, IT and other engineers, advertising agents, public relations consultants etc have emerged as a crucial corporate input. These ‘thinking’ services command a major premium in the job market. Meanwhile, those workers engaged in routine production functions are vulnerable to casualisation of their employment and slower wages growth, because employers can quickly reassign these aspects of the value chain to other regions, both on and offshore.

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2 ibid
• **Increase in smaller sized companies.** Restructuring as the ‘new economy’ unfolds, and the associated technological innovations and occupational shifts, have led to relative decline in the number of big firms and relative increase in the number of small businesses. From 1989-90 to 1999-00 businesses with less than 20 employees grew at a significant rate, whilst firms with more than 200 employees only grew by 0.1 per cent.

### 1.1.2 New Economy and Employment Structure

The ‘new economy’ has exerted significant influence on employment structures:

• **Working Practices** - The changes in the ‘new economy’ have led to a decline in the traditional 40-hour working week, while ‘atypical’ employment arrangements have become more prevalent. Conventional employees, on permanent contracts for a single employer in the employer’s premises, are being replaced by freelancers, ‘portfolio’ workers, or teleworkers. Improvements in ICT have enabled some highly skilled professionals to engage in work through more fluid networks, rather than the rigid hierarchies that defined the traditional ‘job’, which will have some effects on office space demand in the future.

• **Occupational Structure** - Increasingly, work in the ‘new economy’ can be divided into three broad groups reflecting the relative intensity of knowledge content and the demand for creativity. Traditional distinctions between blue and white collar workers are becoming obsolete. The new segmentation of work force has been conceptualised by Reich, using the following typology:

  - **Symbolic Analyst** - High skilled information and knowledge work is generated by the world economy. Jobs in finance, business services, design, information technology and research are included in this group. Also included would be certain classes of ‘hi-touch’ workers such as elite artists, musicians, writers and other content producers. Symbolic analysts generally have high economic wealth, relative job security, and good career prospects. These workers are increasingly ‘footloose’; they have the ability to market themselves as independent enterprises working for several clients and pursue several careers simultaneously.

  - **In-Person Service Workers** - The symbolic analysts are driving demand for low skilled service work in hospitality, cleaning, security and entertainment. The in-person service workers support the lifestyles of the symbolic analysts. Relative to the symbolic analysts, workers in this group have low economic wealth, job insecurity, and uncertain career prospects. However, they do not have the control and choices open to the symbolic analysts.

  - **Routine Production Workers** - These include factory workers and clerks who require a reasonable level of education but who are nonetheless vulnerable to job loss through improvements in technology or job export to lower wage regions around the world. Routine production workers may have permanent jobs and can be in highly unionised sectors.

The strategic importance of advanced business services is evident in the rapid growth of the ‘symbolic analyst’ jobs.

### 1.1.3 The ‘New Economy’ and its Spatial Implications

By creating and enabling new market structures, business organisations and work practices, the new economy provides a looser and more dynamic relationship between the place of business and the space occupied. Improvements in ICT, which enabled globalisation and have since blossomed as a result of it, are influencing the spatial distribution of economic activity. As new technologies reduce the costs of transport and communication, the location of work diminishes in relevance.

The three conventional drivers of office space - proximity to prospective workers, proximity to customers and accessibility - are now accompanied by a new set of spatial forces. The physical manifestation of these forces will be an increasingly multifarious pattern of office development across the metropolitan region.

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Flexible Spaces - The spatial demand of new economy firms is for flexible, multi-purpose business premises. This has manifested in the growth of Strata Developments, which consist of several occupiers in small suites. This has been driven by the growth in small property and business service firms, including architects, consultants, accountants and lawyers. Also behind this demand is the ability of ‘symbolic analysts’ to promote themselves as independent enterprises or to work in small networks. Among larger firms, organisational change, consolidations and mergers have shifted towards more versatile office solutions, including a trend towards increasingly flexible leasing arrangements. The three business incubators in the Northern Region of Melbourne, the Brunswick Business Incubator (BBI) in Brunswick, the Darebin Enterprise Centre (DEC) in Alphington and the La Trobe Technology Enterprise Centre in Bundoora, are examples of such strata developments and each is fully tenanted providing agglomerated accommodation for approximately 40 businesses.

Locations that can Capture High Skilled Workers - The emphasis on knowledge in the ‘new economy’ has amplified the importance of access to - and retention of - a highly skilled workforce. A number of firms are therefore placing high importance on the ‘quality of life’ that a location may offer their employees. Influential factors in office site selection increasingly include those that affect the quality of employees’ daily lives, namely: quality housing; ease of commuting; access to an attractive ‘lifestyle’, including café culture and recreational facilities; and access to educational institutions (both those that train employees and those that serve the needs of current employee ‘families’). Spatial Clustering - In the contemporary business environment, organisations of a similar type are increasingly choosing to cluster in single locations. While the centralised and hierarchical employment market could thrive in ‘economic monocultures’ of industrial areas and office parks, the robustness of the more flexible new economy depends primarily on the dynamics of interdependent small businesses. A model of office location applied and tested in Toronto found that the agglomeration economies in the office sector are much larger than those in manufacturing, and the external effects of this agglomeration are considerable. Small firms will increasingly seek spatial clustering in order to: Concentrate on core business activities by accessing supporting business services; Access a network of specialised skilled labour; Benefit from information spillovers; and Gain efficiencies engendered by agglomeration and competition.

Suburban Opportunities - The ‘new economy’ is also changing the relationship between CBD and suburban office locations with major national and global corporations selecting suburban sites for operational and distribution headquarters. The suburbanisation of employment can also be attributed to the changing nature of work and employment structure, with the desire for employment locations to be close to the place of residence.

1.2 Office Space Typologies and Drivers

The following typologies are useful in offering insights into the location preferences of office space users, and the drivers of office space development.

1.2.1 Business Segmentation Typology

A major determinant of a firm’s office location is the location of the end market or customer. If the customer is located in a particular geographical area, and proximity is an important sales factor, the firm will be more likely to have a physical presence in that area. However, if a firm has a client base that is geographically dispersed, the locational preference may be more based on key inputs into the business process, which in many cases is a skilled workforce, when dealing with office based business operations. Office types can be classified as follows:

- **Local offices / government services** - This segment comprises local business services that primarily serve the regional population, for example, government services, tax agents, solicitors, real estate agents and related businesses that have a local orientation. The size of this sector is a function of the size of the regional population or catchment, much like the retail sector.

- **Back offices of large firms** - Call centres and data processing centres that serve a wide market favour locations offering a modestly skilled but stable workforce with few alternative employment opportunities. Low property costs are also desired because they generally occupy ‘large’ horizontal fibroplates, often found in suburban locations.

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• **Advanced business services** - This segment comprises ‘new economy’ businesses that offer highly specialised services potentially serving local, national and international clients. Key locational criteria for this segment are access to the highest quality skills and business networks (i.e. being ‘close’ to partner firms and clients). ‘Lifestyle’ is important to this group, because of the need to attract and retain skilled workers.

• **Corporate headquarters** - This encompasses ‘large’ firms and institutions like leading companies, stock exchanges, core government offices and major health and education facilities. A location that provides access to quality infrastructure, skills, related business services and a prestigious address is typically desired. Quality access to a wider population base via road and public transport links is also important. Firms in this category tend to demand a CBD address or a high profile suburban site with good access to managerial and executive labour.

• **Offices attached to industry and institutions** - A significant stock of office activity will attach to industry, research facilities and institutions such as universities and hospitals. These activities can be dispersed across the urban landscape, which may or may not include activity centres.

1.2.2 Facility Segmentation Typology

It is also useful to segment the office market on a facility preference basis as follows.

• **Home Office or Low Rent Offices / Shop-fronts** - Micro and small businesses, especially new start-ups, are establishing across the urban landscape in home offices, low rent offices and shop fronts in the suburbs and in regional centres. People that establish companies in fields like design, marketing, software development, health and consultancy advice drive this activity. As businesses grow, and especially as new staff are added, many firms will seek to move from the home office to a conventional office in their local area. Small firms in such a growth trajectory will be wary of risks associated with long-term leases and high rents, many having paid no rent in the home office. The first move into the commercial office market will therefore be a cautious step to relatively cheap accommodation until the business model can sustain higher rents. The target is therefore low-grade office space and residual shop fronts. In the outer suburbs however, such space is not as common which is a constraint to business evolution.

• **Office Tower** - Many large firms will seek out a CBD style office tower setting for their office premises. Such locations offer benefits in terms of: co-location with other firms / organisations (providing agglomeration benefits) and activities that offer a wide range of services (including lifestyle services); the opportunity for face-to-face business contact; quality information and communications infrastructure; and good accessibility by multi-modal transport systems (including road and radial public transport services). Some firms will seek a suburban activity centre environment for their office premises. Such locations offer many of the benefits of a CBD location, but on a smaller scale.

• **Campus Office** - Some firms favour campus style accommodation. This refers to buildings on ‘large’ sites, high quality ‘detached’ buildings with large floorplates and superior landscaping (perhaps in conjunction with recreation facilities and cafes). High profile street frontages are desired for the corporate address. This segment of the commercial office market tends to differ from the CBD / activity centre office market because sites and facilities of this nature are difficult to find in traditional activity centres. Organisations that favour this type of accommodation tend to look for out-of-centre sites, much like the freestanding shopping centre. However, in a Melbourne context, the CBD linked Docklands has been highly successful at targeting the emergent demand for large floorplate, campus offices for premium tenants.
2 Office Development at the National Level

The Australian economy has undergone significant structural changes as a result of globalisation and the ‘new economy’, with significant spatial implications, including the need for office development to ensure Australia’s cities can compete in a global city hierarchy and to provide for the capital city functions for each of their respective States. Figure 1 details the 2001 share of the principal office sectors, by employment in Financial, Insurance and Business Services, at the national level.

Figure 1

Figure 2 reveals the findings of the Invest Australia 2002 survey, specifying the location, by State, of Asia Pacific Region Headquarters for companies who have invested in Australia.

Figure 2
Total Asia-Pacific Region Headquarters by State, 2002

Table 1 and Table 2, from Jones Lang Lasalle Research’s National Office Market Gauge summarise the situation at the National level for both Capital City and Non-CBD Office Markets.

**Table 1**  
**Capital City Office Market Summary**

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<tbody>
<tr>
<td>Sydney CBD</td>
<td>4,813,800</td>
<td>57,900</td>
<td>160,700</td>
<td>1.3</td>
<td>3.4</td>
<td>34,900</td>
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<td>Melbourne</td>
<td>3,791,900</td>
<td>51,900</td>
<td>153,500</td>
<td>4.3</td>
<td>4.0</td>
<td>47,700</td>
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<td>Brisbane CBD</td>
<td>1,716,300</td>
<td>62,200</td>
<td>56,500</td>
<td>3.7</td>
<td>3.3</td>
<td>5,400</td>
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<td>Adelaide CBD</td>
<td>1,118,200</td>
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<td>10,100</td>
<td>1.6</td>
<td>0.9</td>
<td>600</td>
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<td>Perth CBD</td>
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<td>4.0</td>
<td>6.6</td>
<td>3,900</td>
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<td>Canberra Region</td>
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<td>50,500</td>
<td>51,014</td>
<td>3.5</td>
<td>3.5</td>
<td>5,200</td>
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<td>National</td>
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<td>515,200</td>
<td>2.9</td>
<td>3.6</td>
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**Table 2**  
**Non-CBD Office Market Summary**

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<tr>
<td>North Sydney</td>
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<td>5,400</td>
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<td>Chatswood</td>
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<td>St Leonards/Crows Nest</td>
<td>341,500</td>
<td>5,700</td>
<td>-9,000</td>
<td>3,400</td>
<td>3.0</td>
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<td>Macquarie Park</td>
<td>306,000</td>
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<td>21,600</td>
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<td>3.9</td>
<td>9.5</td>
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<tr>
<td>Parramatta</td>
<td>626,100</td>
<td>13,100</td>
<td>50</td>
<td>9,500</td>
<td>0.9</td>
<td>8.7</td>
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<tr>
<td>Melbourne Fringe</td>
<td>1,265,800</td>
<td>48,300</td>
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<td>42,400</td>
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<td>Melbourne South East</td>
<td>1,227,500</td>
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<tr>
<td>Brisbane Fringe</td>
<td>786,700</td>
<td>28,600</td>
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<td>National non-CBD</td>
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<td>226,900</td>
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<td>156,500</td>
<td>n/a</td>
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The contents of these tables will now be analysed within the context of each of the Capital Cities.
2.1 Sydney

Sydney is Australia’s ‘first order’ global city and has developed a diverse economic structure both in its national base and in its international orientation. Sydney has experienced rapid employment growth and commercial development in the finance, computing, media, advertising, and tourism industries. Figure 1 demonstrates Sydney’s dominance in the Finance sector (34 per cent), Insurance sector (35 per cent), and Services to Finance and Insurance (37 per cent). This sound economic base has stimulated the local labour market and in turn, Sydney has typically featured relatively low unemployment and high housing prices.

Figure 2 shows New South Wales (Sydney) as the dominant location for regional headquarters in Australia at 65.21 per cent, indicating the high level of connectivity between Sydney and the global economy. Table 1 and Table 2 reveal that Sydney has the highest total of office floorspace stock of all the capital cities, situated within its ‘Global Arc’, which stretches from the Airport in the south to Macquarie Park in the North West. The CBD retains dominance in terms of office location at 4,813,800 square metres of stock which far exceeds all other capital cities and is the prime location for regional headquarters, and the export oriented sectors of finance, insurance and advanced business services. North Sydney, Australia’s Silicon Valley containing a high proportion of the nation’s ICT headquarters, has a high level of office space at 792,600 square metres, and other suburban locations include St Leonards, Chatswood and Macquarie Park in Ryde, with businesses drawn by the lower rents and operating costs in suburban locations compared to the CBD, economies of scale from integrated operations in suburban locations, and the growing ‘white collar’ labour pool in the suburbs, including new small business operators.

2.2 Melbourne

The Melbourne economy is driven by the advanced manufacturing, business services, research and development, and transport and distribution sectors. Education exports are also increasingly important. Melbourne provides approximately 22 per cent of finance, insurance, services to finance and insurance, and business services jobs within the national economy. Victoria contains approximately 20 per cent of regional headquarters, substantially less than in New South Wales, which is reflected in Melbourne’s smaller share of CBD office stock, at 3,791,900 square metres. Mirroring Sydney, the CBD office market is the prime location of the export oriented finance industry (located in Collins Street), and the Advanced Business Services sectors clustered across the CBD, with the legal quarter found in William Street surrounding the Courts.

The non-CBD office market is particularly strong on the Melbourne fringe and in the south-east, which has a total floorspace of 2,493,300 square metres. This is a reflection of the business segments which might be attracted to Melbourne but do not necessarily require a CBD location and may include research and development functions and offices attached to institutions, back office/call centre operations, transport and logistics businesses, and some regional headquarters. Other business segments may seek an inner city Melbourne fringe location such as St Kilda Road, which has exhibited a similar level of office floorspace take-up to the south-east at 1,265,800 square metres.

2.3 Brisbane

The South-East Queensland Region comprising Brisbane, the Gold Coast, the Sunshine Coast and hinterland has experienced major residential growth associated mainly with internal migration, and this has translated into employment in local-population serving functions. Within the global economy, Brisbane is a key service centre for the Queensland mining industry, and plays a gateway function for the tourism sector.

There is a clear distinction between Australia’s two largest cities, and other capital cities including Brisbane, which has a total CBD floorspace stock of 1,716,300 square metres, and a fringe office floorspace stock of 786,700 square metres. Queensland is the location of only 5.66 per cent of regional headquarters. This market is notably smaller and reflects Brisbane’s regional focus and its currently lesser role in the global economy.

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10 O’Connor, K., Sirmson, R., & Daly, M., (2001), Australia’s Changing Economic Geography: A Society Dividing, Victoria: Oxford University Press, p. 120.
11 Ibid
12 Ibid
2.4 Perth
Perth's linkage with the global economy is through the provision of high-cost services to the globally focused mining industry, a sector it also dominates within the national economy.13

Perth has a total CBD floorspace stock of 1,328,400 square metres and Western Australia contains 5.19 per cent of regional headquarters. Similar to Brisbane, the focus of Perth is on serving the immediate region, reflected by the smaller proportion of finance and insurance services offered, although the favourable resources sector in Western Australia has seen the State become linked to the global economy through the mining industry. However like Brisbane, Perth has not attracted a significant percentage of regional headquarters, reflecting the preference of these firms to locate in the globally connected cities of Sydney and/or Melbourne, which are within the heavily populated South Eastern coastline.

2.5 Canberra
Canberra is the national capital and administrative centre for Australia. Although Canberra is globally connected in its diplomatic and institutional role, it is not a significant driver of economic development in terms of a location for 'new economy' functions, other than those associated with the public sector. This is reflected in the total office floorspace which is 1,468,700 square metres. The Commonwealth Government policies of outsourcing have resulted in new activity across consultancies in the IT area.14 Office floorspace demand is primarily driven by government agencies, with a much smaller regional service sector than other capital cities.

2.6 Adelaide, Darwin, Hobart
The Adelaide CBD comprises the Adelaide Core, Adelaide Frame, and Adelaide Fringe which in 2001 collectively hosted approximately 5 per cent of national finance and insurance related jobs.15 Adelaide plays a key role in the defence sector at the national level, with corporations including Raytheon and Tenix in the city, which has established links with the University of Adelaide. South Australia supports 2.71 per cent of regional headquarters, with an Adelaide CBD office floorspace take-up of approximately 1,118,200 square metres.

Darwin provides for a wide range of industries including mining, offshore oil and gas production, livestock, tourism and tropical horticulture. The commercial property market in Darwin is limited in size. Tasmania contains 0.83 per cent of regional headquarters and Hobart has around 330,000 square metres of office floorspace, confirming it as one of Australia's smallest commercial districts, but it plays a significant role in the State economy.16

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13 ibid
14 ibid
3 The Pattern of Office Development at the Metropolitan Level

As noted, Melbourne’s economy is founded upon advanced manufacturing, business services, research and development, and transport and distribution. Within the manufacturing sector there has been a significant shift in the nature of employment, from the factory floor to the office, which reflects the changing nature of production as value adding through specialist processing, becomes the key alongside administration, sales and marketing. This is shown in Table 3, which also reveals a rise in the transport sector as value chain unbundling increases, driven by greater inter-firm networks for sourcing inputs and making sales, leading to greater demand for logistics.

| Table 3 | Compositional Change of Manufacturing in Victoria |
|-----------------|-----------------|------------------|
| Employment in the Manufacturing Sector | 1986 | 2001 |
| Factory occupations | 57.0% | 40.8% |
| Office occupations | 27.2% | 35.9% |
| Other occupations | 3.9% | 3.1% |
| Sales occupations | 3.8% | 4.7% |
| Transport occupations | 8.1% | 15.5% |

Source: ABS, SGS calculations

The advent of the knowledge economy, which is principally accommodated in offices, is increasing the need for office floor space across a range of sizes and in a variety of locations. As the metropolitan economy restructures, with increased interchange at the global level, and the ensuing changes in the way Melburnians work, the spatial distribution of employment is also altered. Within metropolitan Melbourne, there has been a well-documented rise in suburban employment.

3.1 Distribution of Office Employment in Melbourne

The location of office jobs in Melbourne was plotted using ABS Census Journey to Work data. This gives the location of jobs by type, and thus provides an accurate picture of the location of utilised office floor space.

An office job is defined as follows:

- Managers and administrators (across all industry sectors);
- Professionals (across all industry sectors);
- Associate professionals (across all industry sectors);
- Advanced clerical and service workers (across all industry sectors); and
- A portion of intermediate clerical, sales and services workers based on detailed industry specific office / non-office ratios (across all industry sectors).

Other occupations are defined as non-office based.

Note that this gives a picture of total office employment whether this be in a conventional office building or in an ancillary office within another type building, such as shop, factory, hospital or other setting. In total, there are 797,146 office jobs in Melbourne. Using an indicative job-to-floorspace ratio of 20 sqm, this suggests that Melbourne has approximately 15.9 million sqm of total utilised office space.

Figure 3 shows the location of all office jobs by Transport Travel Zone in Melbourne. This indicates that the inner and middle south eastern region is the ‘centre of gravity’ for office space in Melbourne.
Figure 3
Total Office Jobs

Further mapping of office job by business type reveals that the Property and Business Services sector is much more strongly concentrated in the inner and middle south eastern region.
Likewise, the Finance and Insurance sector is concentrated in a similar way, although on a smaller scale.
Figure 5
Office Jobs in Finance and Insurance


The mapping of public sector office jobs is more evenly dispersed in line with population catchments and activity centres across the metropolitan area.
3.1.1 Existing In-Centre versus Out-of-Centre Splits: Melbourne

SGS has previously undertaken analysis of the four activity centre types defined within Melbourne 2030: Central Activities District (CAD), previously termed in this paper as Central Business District - 1 centre, Principal Activity Centre (PAC) - 26 centres, Major Activity Centre (MAC) - 82 centres, and Specialised Activity Centre (SAC) - 10 centres. Of this total pool of 797,146 office jobs, 322,321 (or approximately 40%) are located in Travel Zones that contain one of the activity centre types listed above. The ‘in-centre’ job figure is broken down by activity centre type as follows.

Table 4
Office Jobs by In-Centre / Out-of-Centre Location

<table>
<thead>
<tr>
<th>Total Office Jobs</th>
<th>797,146</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAD</td>
<td>133,053</td>
</tr>
<tr>
<td>PAC</td>
<td>54,909</td>
</tr>
<tr>
<td>MAC</td>
<td>105,060</td>
</tr>
<tr>
<td>SAC</td>
<td>29,299</td>
</tr>
<tr>
<td>Total Office Jobs In Centre</td>
<td>322,321</td>
</tr>
<tr>
<td>Total Office Jobs Out of Centre</td>
<td>474,825</td>
</tr>
</tbody>
</table>

Source: SGS Calculations.
The proportions by centre type using only in-centre office jobs are shown in Table 5 below.

### Table 5
**Office Job Locations: In-Centre Only**

<table>
<thead>
<tr>
<th>Centre Type</th>
<th>Total In-Centre Office Jobs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAD</td>
<td>133,053</td>
<td>41.3%</td>
</tr>
<tr>
<td>PAC</td>
<td>54,909</td>
<td>17.0%</td>
</tr>
<tr>
<td>MAC</td>
<td>105,060</td>
<td>32.6%</td>
</tr>
<tr>
<td>SAC</td>
<td>29,299</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

Source: SGS Calculations.

3.12 Existing In-Centre versus Out-of-Centre Splits: Suburbs

Table 6 shows the existing distribution of office jobs in the suburbs (i.e. excluding the CAD). This shows that, with the CAD excluded, most jobs in the suburbs are in fact out-of-centre based or in Neighbourhood Activity Centres, according to these indicators. Of the suburban jobs that are in-centre, most are in MACs. This reflects the large number of MACs (82) relative to the number of other activity centre types (26 PACs and 10 SACs).

### Table 6
**Office Job Locations in the Suburbs**

<table>
<thead>
<tr>
<th>Total Office Jobs Excluding CAD</th>
<th>664,093</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAC</td>
<td>54,909</td>
</tr>
<tr>
<td>MAC</td>
<td>105,060</td>
</tr>
<tr>
<td>SAC</td>
<td>29,299</td>
</tr>
<tr>
<td>Total Office Jobs In Centre</td>
<td>189,268</td>
</tr>
<tr>
<td>Total Office Jobs Out of Centre</td>
<td>474,825</td>
</tr>
</tbody>
</table>

Source: SGS Calculations.

The proportions by centre type using only in-centre office jobs are shown in Table 7 below.

### Table 7
**Office Job Locations: In-Centre Excluding CAD**

<table>
<thead>
<tr>
<th>Total In-Centre Office Jobs Excluding CAD</th>
<th>189,268</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAC</td>
<td>54,909</td>
</tr>
<tr>
<td>MAC</td>
<td>105,060</td>
</tr>
<tr>
<td>SAC</td>
<td>29,299</td>
</tr>
</tbody>
</table>

Source: SGS Calculations.
3.2 Trends in Office Employment Growth in Melbourne sub-regions

Whilst the Melbourne CBD retains dominance of some functions, growth in the suburban office sector has become significant. Within metropolitan Melbourne the transition towards the ‘new economy’ has furthered the suburbanisation of employment. The following spatial trends have been observed:

- **Suburban Growth** - Kevin O’Conner argues that in Melbourne, the shift to small scale flexible production systems is favouring the suburbs over the CBD in terms of jobs and investment\(^1\). He contends that Melbourne’s suburbs ‘now vie with the Central region as alternate providers of goods and services to the population, as well as being nodes of specialised industrial, research and new economy firms’\(^2\). The suburbs are also now capturing CBD tenants who are choosing to relocate as they seek to consolidate premises and reduce costs. The most prominent example is the relocation of Shell, from 1 Spring Street to Redfern Road, Hawthorn. A high growth trend in office employment in the inner and middle suburbs will continue according to a report by CB Richard Ellis. The Melbourne suburban office market is set to grow at record levels over the next three years. In particular, this demand is forecast to be led by growth in the property and business services and transport and storage industries\(^3\).

- **Middle Suburbs** - Melbourne’s middle suburbs to the south east, west and north have in the recent past been very important locations for new warehouse, office, retail and community service development\(^4\). These are suburbs that were developed pre-1945, and are located immediately beyond the old inner suburbs. These suburbs have: an existing series of clusters of small offices; old industrial sites coming onto the market which can be subdivided for a range of small diversified business activities; access to sites of production that may be located in outer suburbs; and access to sites of decision making which in some sectors will continue to be located in the CBD.

- **Outer Suburbs** - Suburban locations also have the potential to offer the lifestyle attributes desired by new economy firms seeking to attract a highly skilled workforce. It is therefore possible for suburban centres to capture some of the demand for small office clustering. However, it is important to note that these attributes apply at present to the middle suburbs, rather than outer suburbs. The majority of Melbourne’s outer suburbs do not currently have the lifestyle attributes that would make them appeal to advanced business services. In order to capture some of the small office market, these outer suburbs will have to pro-actively develop their activity centres into ‘lifestyle’ locations that would attract the highly skilled workforce new economy firms’ demand.

- **Infrastructure Impacts on Accessibility** - Accessibility to employment nodes and jobs can be recast by provision of new infrastructure. In the Northern Region, the City Link and Craigieburn Bypass projects have cut journey times from many middle and inner suburbs to the CBD and Airport. This investment has shifted and entrenched patterns of accessibility and development in the City. Future projects which could increase accessibility in the region are the Deer Park Bypass; however the completion of EastLink in 2008 will increase the South East’s connectivity, which could threaten the Northern Region.

Analysis of building approvals for office space developments in the Melbourne Statistical Division (MSD) over the 1991 – 2002 period shows that inner Melbourne, defined as the Cities of Melbourne, Port Phillip, Stonnington and Yarra, attracted between 58 and 78 per cent of approvals each year\(^5\). This reveals that office development has an inner suburban and central city focus, with the rest of the MSD receiving between 22 to 32 per cent of office development each year.

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\(^{14}\) CB Richard Ellis, 2005, Market View: Melbourne Office

3.3 Projections for the Northern Region of Melbourne

SGS has projected that between 2001 and 2021, the Northern Region of Melbourne (NRM) is likely to accommodate around 560,000 square metres of additional office floorspace. This was calculated by employment forecasting over the projection period, using an employment growth model, which combined export based industry forecasts with a population yield model. This was then applied to a ratio of office jobs by industry sectors, which in turn was applied to floorspace to worker ratios (by occupation) to determine the total demand for office floorspace. The results are displayed in Figure 7. More detailed explanation of the modelling and calculations behind the projections is given in Appendix A: Forecasting Future Commercial and Industrial Demand.

Figure 7
Office Employment and Floorspace Estimates, NRM, 2001 – 2021

<table>
<thead>
<tr>
<th>Industry Supergroup</th>
<th>Employment Growth</th>
<th>Occupations Requiring Office Space</th>
<th>Office Space Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Professionals</td>
<td>Other</td>
<td>Professionals</td>
</tr>
<tr>
<td>Commercial Services</td>
<td>7,854</td>
<td>4,273</td>
<td>2,084</td>
</tr>
<tr>
<td>Hospitality Services</td>
<td>1,746</td>
<td>548</td>
<td>77</td>
</tr>
<tr>
<td>Manufacturing, Transport and Storage</td>
<td>24,652</td>
<td>6,145</td>
<td>2,609</td>
</tr>
<tr>
<td>Construction</td>
<td>94</td>
<td>21</td>
<td>11</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>6,727</td>
<td>1,518</td>
<td>455</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>3,447</td>
<td>1,205</td>
<td>602</td>
</tr>
<tr>
<td>Community Services and Government</td>
<td>5,640</td>
<td>923</td>
<td>640</td>
</tr>
<tr>
<td>Education</td>
<td>2,372</td>
<td>145</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>1,868</td>
<td>393</td>
<td>264</td>
</tr>
<tr>
<td>Total</td>
<td>54,400</td>
<td>15,171</td>
<td>6,742</td>
</tr>
<tr>
<td>Total Employment Requiring Office Space</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required Office Space (sqm)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SGS

Not all of this additional space will be located in the form of conventional in-centre office buildings, with ancillary spaces in retail and manufacturing buildings and home offices capturing some of this growth, as discussed earlier. The extent of the capture will depend on the underlying supply conditions in each of the region’s competing locations. However, it is likely that as Government policy initiatives are implemented, in particular Melbourne 2030 and the Transit Cities Program, the level of office development ‘in centre’ will increase. Appendix B: Office Floorspace Planning Budgets documents the recommended office floorspace planning budgets for Activity Centres in the Northern Region. This differs slightly to the Activity Centres found in Melbourne’s North listed in Figure 8, as the budgets are calculated on the 22 Activity Centres listed in Figure 15, which omits University Hill, Melbourne Airport, Epping, Roxburgh Park and Sunbury.

Under Melbourne 2030, the State Government’s metropolitan blueprint for sustainable growth, office development, in addition to expansion of residential, retail and other community facilities, is sought within Activity Centres, which are to be connected via the public transport network. This will help reduce multiple trips, maximise the usage of existing infrastructure, whilst enhancing community accessibility to services.

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21 The 13 Statistical Local Areas: Darebin (C) – Northcote, Darebin (C) – Preston, Hume (C) – Broadmeadows, Banyule (C) – Heidelberg, Banyule (C) – North, Moreland (C) – Brunswick, Moreland (C) – Coburg, Moreland (C) – North, Nillumbik (S) – South, Nillumbik (S) – South-West, Whittlesea (C) – South, Yarra (C) – North, Yarra (C) – Richmond
Figure 8 details the Activity Centres within Melbourne’s North. Broadmeadows has also been designated as a Transit City.

Figure 8
Activity Centres within Melbourne’s North

<table>
<thead>
<tr>
<th>Type</th>
<th>Centre</th>
<th>Municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAC</td>
<td>Austin Biomedical Precinct – Heidelberg</td>
<td>Banyule</td>
</tr>
<tr>
<td>SAC</td>
<td>La Trobe Technology Park – Bundoora</td>
<td>Darebin</td>
</tr>
<tr>
<td>SAC</td>
<td>Melbourne Airport</td>
<td>Hume</td>
</tr>
<tr>
<td>SAC</td>
<td>Janetfield Technology Precinct – Bundoora</td>
<td>Whittlesea</td>
</tr>
<tr>
<td>PAC</td>
<td>Greensborough</td>
<td>Banyule</td>
</tr>
<tr>
<td>PAC</td>
<td>Preston – Northland</td>
<td>Darebin</td>
</tr>
<tr>
<td>PAC</td>
<td>Preston – High Street</td>
<td>Darebin</td>
</tr>
<tr>
<td>PAC</td>
<td>Broadmeadows</td>
<td>Hume</td>
</tr>
<tr>
<td>PAC</td>
<td>Coburg</td>
<td>Morland</td>
</tr>
<tr>
<td>PAC</td>
<td>Epping</td>
<td>Whittlesea</td>
</tr>
<tr>
<td>MAC</td>
<td>Heidelberg</td>
<td>Banyule</td>
</tr>
<tr>
<td>MAC</td>
<td>Ivanhoe</td>
<td>Banyule</td>
</tr>
<tr>
<td>MAC</td>
<td>Northcote</td>
<td>Darebin</td>
</tr>
<tr>
<td>MAC</td>
<td>Reservoir</td>
<td>Darebin</td>
</tr>
<tr>
<td>MAC</td>
<td>Gladstone Park</td>
<td>Hume</td>
</tr>
<tr>
<td>MAC</td>
<td>Roxburgh Park</td>
<td>Hume</td>
</tr>
<tr>
<td>MAC</td>
<td>Sunbury</td>
<td>Hume</td>
</tr>
<tr>
<td>MAC</td>
<td>Brunswick</td>
<td>Moonee Ponds</td>
</tr>
<tr>
<td>MAC</td>
<td>Glenroy</td>
<td>Moonee Ponds</td>
</tr>
<tr>
<td>MAC</td>
<td>Diamond Creek</td>
<td>Nillumbik</td>
</tr>
<tr>
<td>MAC</td>
<td>Eltham</td>
<td>Nillumbik</td>
</tr>
<tr>
<td>MAC</td>
<td>South Morang</td>
<td>Whittlesea</td>
</tr>
<tr>
<td>MAC</td>
<td>Fitzroy – Brunswick Street</td>
<td>Yarraville</td>
</tr>
<tr>
<td>MAC</td>
<td>Fitzroy – Smith Street</td>
<td>Yarraville</td>
</tr>
<tr>
<td>MAC</td>
<td>Richmond – Swan Street</td>
<td>Yarraville</td>
</tr>
<tr>
<td>MAC</td>
<td>Richmond – Bridge Road</td>
<td>Yarraville</td>
</tr>
<tr>
<td>MAC</td>
<td>Richmond – Victoria Street</td>
<td>Yarraville</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Total SAC</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Total PAC</td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Melbourne 2030 website

The Northern Region contains four of the ten metropolitan Specialist Activity Centres, three of which are oriented to research and development. Given the knowledge economy’s preference for spatial clustering, there is the opportunity for the region to capitalise on this strength and develop it further. This could also build upon the high quality of life offered in the leafy environs of Banyule and Whittlesea.

The Principal and Major Activity Centres range from the stand-alone shopping centre at Northland to the strip of Swan Street in Richmond, an eclectic mix that renders it difficult to generalise as to the suitability of each centre for attracting office development. A major consideration within such centres is the supply of land. Often the supply of office space within such centres is constrained to small shop-front premises, suitable for local service uses, government services and business start-ups.

Note: Janetfield Technology Precinct – Bundoora is now the site of the University Hill development

4 Implications for Office Development in Melbourne’s North

There are three broad groupings of factors that can be expected to reshape the potential for office development in the Northern Region. The first concerns the process of changes in the way customer value is created in the ‘new economy’. The ‘unbundling’ of value chains with globalisation has opened up opportunities for small businesses linked to inter-regional exporters. Arguably, a significant proportion of these small businesses could be attracted into centres across the region, building upon existing technology and research precincts. Success in this regard is likely to require positive clustering strategies.

In a second and closely related trend, work patterns are changing. Work is now more casualised. People in future may need to maintain a ‘portfolio’ of jobs. Highly skilled workers could, in effect, market themselves as individual enterprises. This again sets up the potential for significant home based and boutique offices.

Thirdly, market forces will play out within a framework of government policy and public investment. In some instances, these can significantly influence investment flows, with Eastlink likely to boost both industrial and commercial development in the South East, possibly to the detriment of the Northern Region.

The implications of traditional and new drivers for the location of office floorspace demand are depicted graphically in Figure 9. This demonstrates the importance of business type as a key determinant of office locational preference. It also illustrates the continued influence of the traditional drivers of office location on the spatial decisions of all firms, including firms associated with ‘new economy’ activity.

Figure 9
Thematic View of Office Space Segments and Drivers

As proximity to the Central Business District remains of relevance to office development, it is useful to examine the implications for office development by reviewing the region according to the geographic locations of its constituent municipalities.

<table>
<thead>
<tr>
<th>Office Market Components</th>
<th>Traditional Key Drivers</th>
<th>New Economy Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business segment</td>
<td>Proximity to prospective workers</td>
<td>Advanced business services</td>
</tr>
<tr>
<td>Facility segment</td>
<td>Proximity to clients</td>
<td>Flexibility: economy and office structures</td>
</tr>
<tr>
<td></td>
<td>Accessibility</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Business Segment Specific Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local/Government Services</td>
</tr>
<tr>
<td>Population driven</td>
</tr>
<tr>
<td>Low property costs</td>
</tr>
<tr>
<td>Large floorplates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Office Locational Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local/Government Services</td>
</tr>
<tr>
<td>Suburban activity</td>
</tr>
<tr>
<td>centre - population based</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
4.1 Inner: Yarra

- The municipality, which borders the City of Melbourne, should be able to capture increasing office employment because of its proximity to the city, good public transport services, and availability of highly trained labour, which will increase as gentrification continues.

- Yarra is continuing to see restructuring of traditional industry, such as manufacturing and Textiles, Clothing and Footwear (TCF), as businesses either close down or relocate, leaving vacant industrial premises which can be converted into commercial or residential uses. A thriving media sector is emerging, with Network Nine television studios, production companies, print media and record labels clustering in the area. National fashion companies such as Country Road and Just Jeans are headquartered in the suburb, taking advantage of its accessibility, skilled local labour market, boutique offices and ‘lifestyle’ location.

- In order to accommodate this economic transition, it is important to regularly monitor land supply, with attention paid to rezonings of vacant and disused industrial land to enable office developments in excess of 500 square metres.

4.2 Middle Ring: Moreland, Darebin and Banyule

- Major growth in middle ring suburban office space development is likely to be driven by smaller and more flexible new economy businesses in the future. Suburban locations have the potential to offer the lifestyle attributes desired by new economy firms seeking to attract a highly skilled workforce. It is therefore possible for centres in the municipalities, like Northcote, to capture some of the demand for small office clustering.

- Redundant retail shopfronts provide an example of small premises which could potentially attract small office uses. Elements of these spaces which are attractive in the new economy work environment include:
  - Small floorplates;
  - Excellent access to public transport;
  - Access to an increasingly skilled workforce.

- The middle ring is also increasingly becoming a ‘lifestyle’ location (i.e. cafe culture) that is expected to continue to attract the highly skilled workforce that ‘new economy’ firms demand.

- Redevelopment sites may provide opportunity to offer larger format, brand new office space developments which are attractive to larger firms. These sites could also be attractive to smaller firms, via strata developments, if such premises were constructed.

- There is a clear need for pre-planning for specific office development types. It is not sufficient to simply say ‘office’ is desired in an activity centre and expect the development to occur. Strategies must identify the type of office business being targeted, and the type of office facilities required.

- The large quantum of industrial development to the north, in particular in Hume and Whittlesea, will generate demand over time for associated business services. There may be potential for the Middle Ring to capture some of this demand because of its position between the industrial land to the north and the Central Business District to the south.
4.3 Outer: Hume, Whittlesea and Nillumbik

- The outer cities of Hume and Whittlesea are both recognised by the Victorian Government as Growth Areas, and thus will be experiencing considerable population growth in the coming decades, in turn generating greater demand for local business services. NORTH Link/NIETL has been lobbying the Victorian government for additional employment land in the region to capture more employment locally for the increasing population.

- Nillumbik is largely outside the Urban Growth Boundary but has two designated major activity centres, Etham and Diamond Creek, and is seeking to encourage small to medium-scale offices in both centres. This policy position is clearly defined in Structure Plans for both centres developed over the last 2 years, which have now been incorporated into the Planning Scheme and are formal policy statements.

- The majority of Melbourne’s outer municipalities do not currently have the attributes that would potentially make them strong candidates for attracting advanced business services in high numbers. In order to capture some of the small office market, outer suburbs will have to pro-actively develop their activity centres into ‘lifestyle’ locations that would attract the highly skilled workforce new economy firms’ demand. Previous SGS work on the Epping Transit City estimated that a further 0.47 hectares would be required for office floorspace to 2011 in Epping and South Morang.

- As with middle ring municipalities, a major conclusion for outer suburban activity centre planning is the clear need for pre-planning for specific office development types. Centres that want to attract advanced business service will need to actively develop the lifestyle attributes that these firms require. Furthermore, strategies must demonstrate how the office segment or segments are to be ‘fitted’ into the activity centre system, and how necessary infrastructure (hard and soft) will be provided to support the targeted office businesses.

- Hume and Whittlesea will need to provide small and relatively cheap office premises for businesses to grow into (from the home office) and evolve from, as they move through the business development cycle. This includes low-grade office space and residual shopfronts, which are found in large number in many of Melbourne’s inner and middle suburbs, but generally in short supply in outer suburban areas.

- Accessibility to the growth areas’ residential population could also result in an increase in back-office and call centre developments, which have a preference for large horizontal floorsplates in close proximity to residential areas, facilitating the increasing ‘working mother’ phenomenon.

- The presence of strategic infrastructure assets such as Melbourne Airport, Citylink and the Ring Road should enable these areas to capture a greater quantum of office development. However the opening of Eastlink in 2008 might offset potential future growth in the region.

- The availability of Greenfield sites for high-quality, purpose-built developments like at University Hill in Whittlesea might enable the Outer North to capture larger organisations which are seeking to move from the CBD as well as smaller research and technology companies which want to locate close to RMIT’s Bundoora campus.
Appendix A: Forecasting Future Commercial and Industrial Demand

The underlying driver of office floor space demand is industry growth, and hence employment. The structure of a regional economy is constantly changing, with resulting implications for the gross amount of employment in a particular industry, and the nature of that employment (i.e. is it office based, shop based, home based or factory based?). In order to gain a robust understanding of the future demand for office development and industrial development the SGS Employment Forecasting Model was applied.

SGS Employment Forecasting Model

As a general rule of thumb, employment in each industry can be estimated as a ratio of total industry production. Therefore, if the growth in each industry sector is known then it should be possible to forecast the associated level of employment.

A common form of economic analysis that utilises industry production is regional Input-Output model. Such a model was developed for the North Region of Melbourne by SGS Economics & Planning using statistical adjustment of the national Input-Output coefficients. The method used by SGS is similar to that used by the Queensland Treasury and various other statistical agencies.

As part of an Input-Output model, the total value of exports (international & inter-regional) for each industry is estimated. Assuming that exports grow in proportion to forecasted Victorian Gross State Product (GSP) and applying regional employment multipliers, it is possible to project the amount of employment that will be generated by a region as industry sectors change their production levels to service the export demand.

The SGS Employment Forecasting Model also takes into account the impact of population growth by looking at consumer spending habits in the region. This growth in consumer spending (based on population growth and 1998-99 ABS Household Expenditure Survey) will need to be supported by the labour force that would be earning wages and salaries. In other words, any increase in demand due to growth in consumer spending would in turn require an increase in wages (for this new population). Hence, the population in an area can be treated as an industry with both supply (wages) and demand streams (consumer spending). The effect of this pseudo industry will not only provide its own economic stimulus but also magnify the economic stimulus that is provided due to export growth.

By using an Input-Output table it is possible to produce regional employment multipliers. Using these employment multipliers it is then possible to project the amount of employment that would be generated in North Region of Melbourne as industry sectors increase their production to meet export demand and total household expenditure in the region grows due to population growth.

In short, SGS Employment Forecasting Model simulates the regional economy through regional Input – Output (IO) Model and projects employment based on two key economic stimulus – growth in exports (international and inter-regional exports) and growth in resident population and the resultant consumer spending.

GSP Forecasts

To forecast the growth of industry production, Victorian Gross State Product levels were examined over a 24 year period from 1977 to 2001. Gross State Product was then attributed to twelve industry sectors for which this data relates. Using the data for the past 24 years, it was possible to forecast the growth of each industry (except manufacturing) using regression analysis. Given the restructuring and the consequent shake out of the non-competitive manufacturing firms during the late 1980s, the trend observed over the last 10 years was deemed to be more reflective of the current and future state of the manufacturing sector. Hence, to forecast employment in the manufacturing sector, 1991 - 2001 trend was applied.
The following table provides the forecasted growth rates of 12 industry sectors. This shows that growth in Victoria is broadly based. The sectors generally in decline are the primary sectors.

**Figure 10**
Forecasted Growth Rates, 2001 - 2021

<table>
<thead>
<tr>
<th>Industry</th>
<th>2001-2011</th>
<th>2001-2021</th>
<th>2001-2031</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>-13.18%</td>
<td>-6.97%</td>
<td>-0.75%</td>
</tr>
<tr>
<td>Mining</td>
<td>-3.81%</td>
<td>-13.74%</td>
<td>-23.67%</td>
</tr>
<tr>
<td>Electricity, Gas and Water Supply</td>
<td>+16.15%</td>
<td>+25.07%</td>
<td>33.99%</td>
</tr>
<tr>
<td>General Government</td>
<td>-0.36%</td>
<td>+6.46%</td>
<td>13.27%</td>
</tr>
<tr>
<td>Finance, Insurance, Property and Business Services</td>
<td>+22.09%</td>
<td>+56.09%</td>
<td>90.09%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>+31.59%</td>
<td>+57.50%</td>
<td>83.41%</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>+5.71%</td>
<td>+16.83%</td>
<td>27.95%</td>
</tr>
<tr>
<td>Government Admin, Defence, Education and Community Services</td>
<td>+7.65%</td>
<td>+18.92%</td>
<td>30.19%</td>
</tr>
<tr>
<td>Ownership of Dwellings</td>
<td>+10.53%</td>
<td>+27.75%</td>
<td>44.97%</td>
</tr>
<tr>
<td>Transport and Storage, Communications</td>
<td>+10.98%</td>
<td>+28.65%</td>
<td>46.31%</td>
</tr>
<tr>
<td>Construction</td>
<td>-5.54%</td>
<td>-2.72%</td>
<td>0.10%</td>
</tr>
<tr>
<td>Cultural, Recreational and Personal Services</td>
<td>+12.89%</td>
<td>+35.54%</td>
<td>58.19%</td>
</tr>
</tbody>
</table>

Source: SGS Economics and Planning Estimates based on ABS, 2001, Cat: 5220.0

**Employment Forecasts**

Employment forecasting was undertaken for the North Region of Melbourne (NRM). The NRM is defined by the 13 SLAs set out in Figure 11. Forecasting was undertaken for the NRM to establish the pool of employment which will be available in the wider northern region over the projection period.

**Figure 11**
North Region of Melbourne (NRM) – Constituent SLAs

<table>
<thead>
<tr>
<th>SLA Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darebin (C) - Northcote</td>
</tr>
<tr>
<td>Darebin (C) - Preston</td>
</tr>
<tr>
<td>Hume (C) - Broadmeadows</td>
</tr>
<tr>
<td>Banyule (C) - Heidelberg</td>
</tr>
<tr>
<td>Banyule (C) - North</td>
</tr>
<tr>
<td>Moreland (C) - Brunswick</td>
</tr>
<tr>
<td>Moreland (C) - Coburg</td>
</tr>
<tr>
<td>Moreland (C) - North</td>
</tr>
<tr>
<td>Nillumbik (S) - South</td>
</tr>
<tr>
<td>Nillumbik (S) - South West</td>
</tr>
<tr>
<td>Whittlesea (C) - South</td>
</tr>
<tr>
<td>Yarra (C) - North</td>
</tr>
<tr>
<td>Yarra (C) - Richmond</td>
</tr>
</tbody>
</table>
The tables below provide the employment forecasts for the NRM based on the above noted methodology.

SGS has developed an employment growth model, which is based on the following two key components:

Firstly, the model takes employment effects of industry growth. A regional Input-Output model is generated for the region, which is a common form of economic impact analysis. The method used here is similar to that used by the Queensland Treasury and various other statistical agencies. As part of the Input-Output model, the total value of inter-regional exports for each industry is estimated. Assuming that exports grow in proportion to GSP levels and applying regional employment multipliers, it is possible to project the amount of employment that will be generated by a region as industry sectors change their production levels to service export demand.

Secondly, the model takes employment effects of population growth, the resultant increased consumer spending, and the multiplier effect thereof into account. This approach examines economic growth due to population increase by looking at the consumer spending in the region (based on population growth forecasts). This growth in consumer spending will need to be supported by the labour force that would be earning wages and salaries. In other words, any increase in demand due to growth in consumer spending would in turn require an increase in wages (for this new population). Hence, the population in an area can be treated as an industry with both supply (wages) and demand streams (consumer spending). The effect of this pseudo industry will not only provide its own economic stimulus but also magnify the economic stimulus that is provided due to export growth.

Hence, the SGS Employment Yield Model combines export based industry forecasts with a population yield model to project employment forecasts.

To determine the proportion of jobs that are based in offices, a detailed review of land use and employment data was conducted. The Western Australia Department of Planning and Infrastructure (Planning WA) conducts a detailed land use and employment survey of metropolitan Perth [1] at the Census Collection District (CCD) level (known as Planning and Land Use Category [PLUC]). The data was obtained from the Department and a regression analysis was conducted to determine the proportion of jobs in each industry and occupation that are based in different land use categories. CCD data was then aggregated to Statistical Local Areas (SLA) in order to compare this data set against the Journey to Work (JTW) data set.

Using these two datasets, a set of ratios was derived that represent the most accurate conversion between JTW employment and PLUC employment. This was achieved using a technique known as Mean Least Squares [2].

Based on the concordance between the JTW employment data and PLUC data, it was possible to determine the proportion of jobs in each industry and occupation that are based in different land use categories. The second part of the Perth Census analysis was to develop the Perth employment and floorspace ratios for each occupation using regression analysis. The results are shown below.

A custom made cross-tabulation of Journey to Work industry and occupational profile (ie. ANZSIC and ASCO cross-tabulation) for the SERM was obtained from the ABS to analyse the distribution of jobs in each industry according to various occupations.

By comparing 1996 and 2001 data it is possible to determine the shift in occupation structure in each sub-region. This change takes place for a number of reasons and some examples would include technological change reducing the amount of labour required, clustering of management and professional services in city sub-regions, and the extra demand for lower rent space for manufacturing in outer city regions. Therefore, it is important to examine the industrial structure and shift for each study region separately as the trend will vary substantially depending on the sub-region’s role in the overall economy.

The employment forecasts according to industry and occupation were then used to predict the total office based employment using the land use quotients reported above. Office space per worker ratios (by occupation) were then applied to determine the total demand for office floorspace.
The major forecast growth sectors in the NRM to 2021 include:

- Manufacturing (around 41% total jobs growth);
- Retail Trade (around 13% of total jobs growth); and
- Property and Business Services (around 9% of total jobs growth).

The inputs to the Input Output Model are growth in exports (assumed to track with growth in Gross State Product) and population growth. The additional income generation triggers multiplier effects resulting in employment increments.

**Figure 12**

Employment Forecasts, North Region of Melbourne (NRM), 2001 - 2031

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting and trapping</td>
<td>466</td>
<td>44</td>
<td>115</td>
</tr>
<tr>
<td>Forestry and fishing</td>
<td>39</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Mining</td>
<td>118</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Meat and dairy products</td>
<td>1,254</td>
<td>270</td>
<td>524</td>
</tr>
<tr>
<td>Other food products</td>
<td>3,370</td>
<td>118</td>
<td>1,380</td>
</tr>
<tr>
<td>Beverages; tobacco products</td>
<td>1,485</td>
<td>106</td>
<td>298</td>
</tr>
<tr>
<td>Textiles</td>
<td>2,414</td>
<td>1,012</td>
<td>1,383</td>
</tr>
<tr>
<td>Clothing and Footwear</td>
<td>6,991</td>
<td>1,742</td>
<td>3,217</td>
</tr>
<tr>
<td>Wood and wood products</td>
<td>1,337</td>
<td>226</td>
<td>440</td>
</tr>
<tr>
<td>Paper, printing and publishing</td>
<td>6,449</td>
<td>1,343</td>
<td>2,633</td>
</tr>
<tr>
<td>Petroleum and coal products</td>
<td>119</td>
<td>14</td>
<td>29</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2,039</td>
<td>478</td>
<td>917</td>
</tr>
<tr>
<td>Rubber and plastic products</td>
<td>3,170</td>
<td>839</td>
<td>1,571</td>
</tr>
<tr>
<td>Non-metallic mineral products</td>
<td>1,401</td>
<td>181</td>
<td>321</td>
</tr>
<tr>
<td>Basic metals and products</td>
<td>1,810</td>
<td>481</td>
<td>904</td>
</tr>
<tr>
<td>Fabricated metal products</td>
<td>3,257</td>
<td>673</td>
<td>1,290</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>9,942</td>
<td>1,981</td>
<td>3,141</td>
</tr>
<tr>
<td>Other machinery and equipment</td>
<td>8,046</td>
<td>1,209</td>
<td>2,296</td>
</tr>
<tr>
<td>Miscellaneous manufacturing</td>
<td>4,585</td>
<td>995</td>
<td>1,888</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>974</td>
<td>92</td>
<td>216</td>
</tr>
<tr>
<td>Construction</td>
<td>11,210</td>
<td>-1</td>
<td>94</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>17,167</td>
<td>1,414</td>
<td>3,447</td>
</tr>
<tr>
<td>Retail trade</td>
<td>22,719</td>
<td>2,172</td>
<td>3,014</td>
</tr>
<tr>
<td>Repairs</td>
<td>5,209</td>
<td>386</td>
<td>1,023</td>
</tr>
<tr>
<td>Accommodation; cafes and restaurants</td>
<td>8,280</td>
<td>688</td>
<td>1,746</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>7,124</td>
<td>821</td>
<td>1,949</td>
</tr>
</tbody>
</table>

| Source: SGS |

The following qualifications apply to the above reported employment forecasts:

1. The outputs of this approach should be used for ‘Industrial’ and ‘Commercial / Office’ uses only because these are the ‘higher order’ economic activities that the modelling attempts to simulate. The outputs form the basis of floorspace needs estimation for Industrial and Office activities to 2021.

The results for ‘Institutional’ activities (i.e. Education, Health and community services, Cultural and recreational services and Personal and other services) should be interpreted with caution. Investment in institutions is to a large extent based on government funding decisions (based in part on population characteristics and needs) and therefore the economic model may not be the optimal way of assessing and projecting the floorspace requirements for these activities in the future.

Appendix 1 - Drivers of Office Development in Melbourne
Application of Employment Forecasts to Office Floorspace Demand

The next step is to translate employment growth into demand for office floorspace. Gross floorspace estimates for office sectors are derived by applying indicative employment to floorspace ratios. These ratios are based on the Perth Land Use Census as collated by PlanningWA.

The employment to floorspace ratios provide an estimate of gross floorspace that may be added to the NRM over the period 2001 to 2021, and are shown in Table 8 below.

Table 8: Office Floor space Ratios by Occupation (sqm)

<table>
<thead>
<tr>
<th>Occupations</th>
<th>Floor space Ratio (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionals</td>
<td>27.02</td>
</tr>
<tr>
<td>Clerical</td>
<td>23.25</td>
</tr>
</tbody>
</table>

Source: Derived from Perth Land Use and Employment Census, 2001

The results of the office floorspace and site area estimates are sensitive to the ratios used. Best estimates are used in this analysis, but modifications to these ratios can be made to provide a range of scenarios.

The results of the analysis are shown in the following tables.
<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Super Group</td>
<td>Employment Growth</td>
<td>Occupation Segregation</td>
<td>Occupations Requiring Office Space</td>
<td>Office Space Required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professionals</td>
<td>Sales and Service</td>
<td>Other</td>
</tr>
<tr>
<td>Commercial Services</td>
<td>3,096</td>
<td>772</td>
<td>992</td>
<td>406</td>
</tr>
<tr>
<td>Hospitality Services</td>
<td>686</td>
<td>278</td>
<td>291</td>
<td>77</td>
</tr>
<tr>
<td>Manufacturing, Transport and Storage</td>
<td>12,799</td>
<td>326</td>
<td>2,068</td>
<td>7,470</td>
</tr>
<tr>
<td>Construction</td>
<td>-1</td>
<td>C</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2,498</td>
<td>576</td>
<td>1,258</td>
<td>663</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>414</td>
<td>85</td>
<td>522</td>
<td>377</td>
</tr>
<tr>
<td>Community Services and Government</td>
<td>2,170</td>
<td>646</td>
<td>535</td>
<td>586</td>
</tr>
<tr>
<td>Education</td>
<td>523</td>
<td>730</td>
<td>165</td>
<td>28</td>
</tr>
<tr>
<td>Other</td>
<td>727</td>
<td>159</td>
<td>223</td>
<td>72</td>
</tr>
<tr>
<td>Total</td>
<td>24,315</td>
<td>6,466</td>
<td>6,055</td>
<td>5,914</td>
</tr>
</tbody>
</table>

Source: SGS

Appendix 1: Drivers of Office Development in Melbourne

Figure 13: Office Employment and Floor Space Estimates, NRM, 2001 - 2011

Total Employment Requiring Office Space: 96,000

Required Office Space (sq m): 250,504
<table>
<thead>
<tr>
<th>Industry Super Group</th>
<th>Column 2 Employment Growth</th>
<th>Column 3 Occupation Designation</th>
<th>Column 4 Occupations Requiring Office Space</th>
<th>Column 5 Office Space Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Clerical</td>
<td>Office</td>
<td>Work/100000 Workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professional, Sales and Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Services</td>
<td>7,854</td>
<td>4,312</td>
<td>2,514</td>
<td>1,028</td>
</tr>
<tr>
<td>Hospitality Services</td>
<td>1,746</td>
<td>554</td>
<td>742</td>
<td>450</td>
</tr>
<tr>
<td>Manufacturing, Transport and Storage</td>
<td>24,669</td>
<td>6,280</td>
<td>3,984</td>
<td>-4,487</td>
</tr>
<tr>
<td>Construction</td>
<td>94</td>
<td>2</td>
<td>12</td>
<td>61</td>
</tr>
<tr>
<td>Retail</td>
<td>6,727</td>
<td>3,552</td>
<td>3,399</td>
<td>1,789</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>3,447</td>
<td>1,255</td>
<td>1,272</td>
<td>919</td>
</tr>
<tr>
<td>Community Services and Government</td>
<td>5,649</td>
<td>2,720</td>
<td>1,390</td>
<td>1,530</td>
</tr>
<tr>
<td>Education</td>
<td>2,372</td>
<td>1,875</td>
<td>424</td>
<td>72</td>
</tr>
<tr>
<td>Other</td>
<td>1,868</td>
<td>1,024</td>
<td>573</td>
<td>270</td>
</tr>
<tr>
<td>Total</td>
<td>56,400</td>
<td>15,595</td>
<td>14,400</td>
<td>25,504</td>
</tr>
</tbody>
</table>

Total Employment Requiring Office Space: 21,913

Required Office Space (sq m): 566,655
Appendix B: Office Floorspace Planning Budgets

This section documents the recommended office floorspace planning budgets for activity centres to 2021.

A ‘fair share’ approach is taken for this project. This approach apportions expected regional office space demand to each activity centre within the region on an even basis (but makes adjustments for each centre’s position in the activity centre hierarchy).

Method

The method for apportioning the office space demand to centres is as follows.

1. The office floorspace demand for the NRM, 2001 to 2021, is used as the starting point.

2. This aggregate demand range is then apportioned to in-centre sites. Three scenarios are used for this purpose, 29% in-centre capture as Scenario 1, 40% in-centre capture as Scenario 2 and 50% in-centre capture as Scenario 3. This provides a low and high estimate for in-centre office demand for NRM to 2021.

3. This in-centre floorspace range is then apportioned to PACs, MACs and SACs based on observed capture rates across this network in Melbourne. Data shows that, on average, PACs in Melbourne have 2,112 office jobs per centre. The corresponding figures for MACs and SACs are 1,282 and 2,930. In terms of percentage of in-centre jobs, the distribution across Melbourne is 29% to PACs, 55% to MACs and 16% to SACs. It is assumed that the in-centre floorspace range will be distributed to PACs, MACs and SACs within the NRM at these rates. This provides a low and high demand estimate separately for PACs, MACs and SACs in the NRM to 2021.

4. For each activity centre level (PAC, MAC and SAC), the office demand range is divided by the number of such centres in NRM. This provides a low and high estimate separately for each PAC, MAC and SAC.

The method and results are shown in the next part of the report.

There are 22 activity centres in NRM (excluding NACs). Of these, five are PACs, 15 are MACs and two are SACs, as follows.
### Figure 15
List of Activity Centres in NRM

<table>
<thead>
<tr>
<th>Type</th>
<th>Centre</th>
<th>SLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAC</td>
<td>Austin Biomedical Alliance Precinct, Heidelberg</td>
<td>Banyule (C) - Heidelberg</td>
</tr>
<tr>
<td>SAC</td>
<td>Latrobe University Technology Park, Bundoora</td>
<td>Darebin (C) - Preston</td>
</tr>
<tr>
<td>PAC</td>
<td>Coburg</td>
<td>Moreland (C) - Coburg</td>
</tr>
<tr>
<td>PAC</td>
<td>Greensborough</td>
<td>Banyule (C) North</td>
</tr>
<tr>
<td>PAC</td>
<td>Preston, High St</td>
<td>Darebin (C) - Preston</td>
</tr>
<tr>
<td>PAC</td>
<td>Preston, Northland</td>
<td>Darebin (C) - Preston</td>
</tr>
<tr>
<td>PAC</td>
<td>Broadmeadows</td>
<td>Hume (C) - Broadmeadows</td>
</tr>
</tbody>
</table>

**Total Number SAC**: 2

<table>
<thead>
<tr>
<th>Type</th>
<th>Centre</th>
<th>SLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAC</td>
<td>Fitzroy, Brunswick St</td>
<td>Yarra (C) - North</td>
</tr>
<tr>
<td>MAC</td>
<td>Fitzroy, Smith St</td>
<td>Yarra (C) - North</td>
</tr>
<tr>
<td>MAC</td>
<td>Richmond Victoria St</td>
<td>Yarra (C) - Richmond</td>
</tr>
<tr>
<td>MAC</td>
<td>Richmond, Bridge Rd</td>
<td>Yarra (C) - Richmond</td>
</tr>
<tr>
<td>MAC</td>
<td>Richmond, Swan St</td>
<td>Yarra (C) - Richmond</td>
</tr>
<tr>
<td>MAC</td>
<td>Brunswick</td>
<td>Moreland (C) - Brunswick</td>
</tr>
<tr>
<td>MAC</td>
<td>Glenroy</td>
<td>Moreland (C) - North</td>
</tr>
<tr>
<td>MAC</td>
<td>Heidelberg</td>
<td>Banyule (C) - Heidelberg</td>
</tr>
<tr>
<td>MAC</td>
<td>Ivanhoe</td>
<td>Banyule (C) - Heidelberg</td>
</tr>
<tr>
<td>MAC</td>
<td>Northcote</td>
<td>Darebin (C) - Northcote</td>
</tr>
<tr>
<td>MAC</td>
<td>Reservoir</td>
<td>Darebin (C) - Preston</td>
</tr>
<tr>
<td>MAC</td>
<td>Gladstone Park</td>
<td>Hume (C) - Broadmeadows</td>
</tr>
<tr>
<td>MAC</td>
<td>Eltham</td>
<td>Nillumbik (S) - South</td>
</tr>
<tr>
<td>MAC</td>
<td>Diamond Creek</td>
<td>Nillumbik (S) - South-West</td>
</tr>
<tr>
<td>MAC</td>
<td>Sh Morang</td>
<td>Whittlesea (C) - North</td>
</tr>
</tbody>
</table>

**Total Number MAC**: 15

### Results

As shown in the following figure, this method suggests that the NRM will, in a 20-year period to 2021, experience in-centre office demand in the range of 160,000 sqm to 280,000 sqm (from a 2001 base).

The five PACs in the region should be able to capture approximately 48,000 sqm to 82,000 sqm of this office demand. For each centre, this represents an average capture rate of between 12,000 sqm to 21,000 sqm.

The 15 MACs in the region should be able to capture approximately 90,000 sqm to 156,000 sqm of the total office demand. For each centre, this represents an average capture rate of between 6,000 sqm to 11,000 sqm.

The two SACs in the region should be able to capture approximately 26,000 sqm to 45,000 sqm of the aggregate office demand. For each centre, this represents an average capture rate of between 13,000 sqm to 23,000 sqm.
### Office Floorspace Planning Budgets Model, NRM, 2001-2021

<table>
<thead>
<tr>
<th>Office Floorspace Demand, NRM</th>
<th>2001 - 2011 (sqm)</th>
<th>2001 - 2021 (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>250,504</td>
<td>585,895</td>
</tr>
</tbody>
</table>

#### In-Centre Capture Ratio

<table>
<thead>
<tr>
<th>Scenario</th>
<th>2001 - 2011</th>
<th>2001 - 2021</th>
<th>2001 - 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>@</td>
<td>29.0%</td>
<td>72,846</td>
<td>194,330</td>
</tr>
<tr>
<td>2</td>
<td>40.0%</td>
<td>102,092</td>
<td>228,662</td>
</tr>
<tr>
<td>3</td>
<td>50.0%</td>
<td>125,252</td>
<td>283,928</td>
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</table>

#### Distribution Across NRM's Activity Centre Network

<table>
<thead>
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<th>PAC</th>
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</tr>
</thead>
<tbody>
<tr>
<td>@</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>21,087</td>
</tr>
<tr>
<td>2</td>
<td>29,058</td>
</tr>
<tr>
<td>3</td>
<td>38,323</td>
</tr>
<tr>
<td>Number of PACs</td>
<td>4.0</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Fio - space for Each</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>@</td>
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<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>7,265</td>
</tr>
<tr>
<td>3</td>
<td>9,081</td>
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</table>

<table>
<thead>
<tr>
<th>MAC</th>
<th>35.0%</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>1</td>
<td>39,955</td>
</tr>
<tr>
<td>2</td>
<td>55,111</td>
</tr>
<tr>
<td>3</td>
<td>68,889</td>
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<tr>
<td>Number of MACs</td>
<td>16.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fio - space for Each</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>@</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2,964</td>
</tr>
<tr>
<td>2</td>
<td>3,674</td>
</tr>
<tr>
<td>3</td>
<td>4,383</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>SAC</th>
<th>16.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>@</td>
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</tr>
<tr>
<td>1</td>
<td>11,923</td>
</tr>
<tr>
<td>2</td>
<td>16,092</td>
</tr>
<tr>
<td>3</td>
<td>20,040</td>
</tr>
<tr>
<td>Number of SACs</td>
<td>2.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fio - space for Each</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>@</td>
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<td>1</td>
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<tr>
<td>2</td>
<td>8,916</td>
</tr>
<tr>
<td>3</td>
<td>10,020</td>
</tr>
</tbody>
</table>

Source: SGS Calculations.
Appendix 2

9.2 A Workforce of 700,000

Recommendation:
Promote the capacity of a well-placed, quality office development in the North being able to draw from a workforce of approximately 700,000 people across a band from Sunbury and Geelong and areas closer to the West, right through to the East and North East.
Appendix 3

9.3 Different Areas, Different Images

Moreland: Funky, bohemian, arty, green, energy conscious
Darebin: The Arts, alternative Mortlock, Preston Market, cultural diversity, University precinct
Banyule: Medical precinct, Greensborough, modern Ivanhoe, environmental values, restaurants and cafés
Nillumbik: Professionals, lifestyle, bushland settings, the Yarra
Hume: Access and transport linkages, Melbourne Airport, gateway to domestic and international markets, links to industry
Whittlesea: Campus style offices, sustainability, space to purpose build, responsive zoning
Yarra: City lifestyle, café culture, trendy, riverside, professionals

Different Areas, Different Images