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SOUTH MELBOURNE

EMPLOYMENT, ECONOMIC AND LAND USE STUDY

CITY OF PORT PHILLIP



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AUTHORS

Paul Shipp
Kurt Ainsaar
Brett Hannah
Julia Cretan
Mark Woodland (Echelon Planning)

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L1 302-304 Barkly St, Brunswick VIC 3056
+61 3 9482 3888 urbanenterprise.com.au

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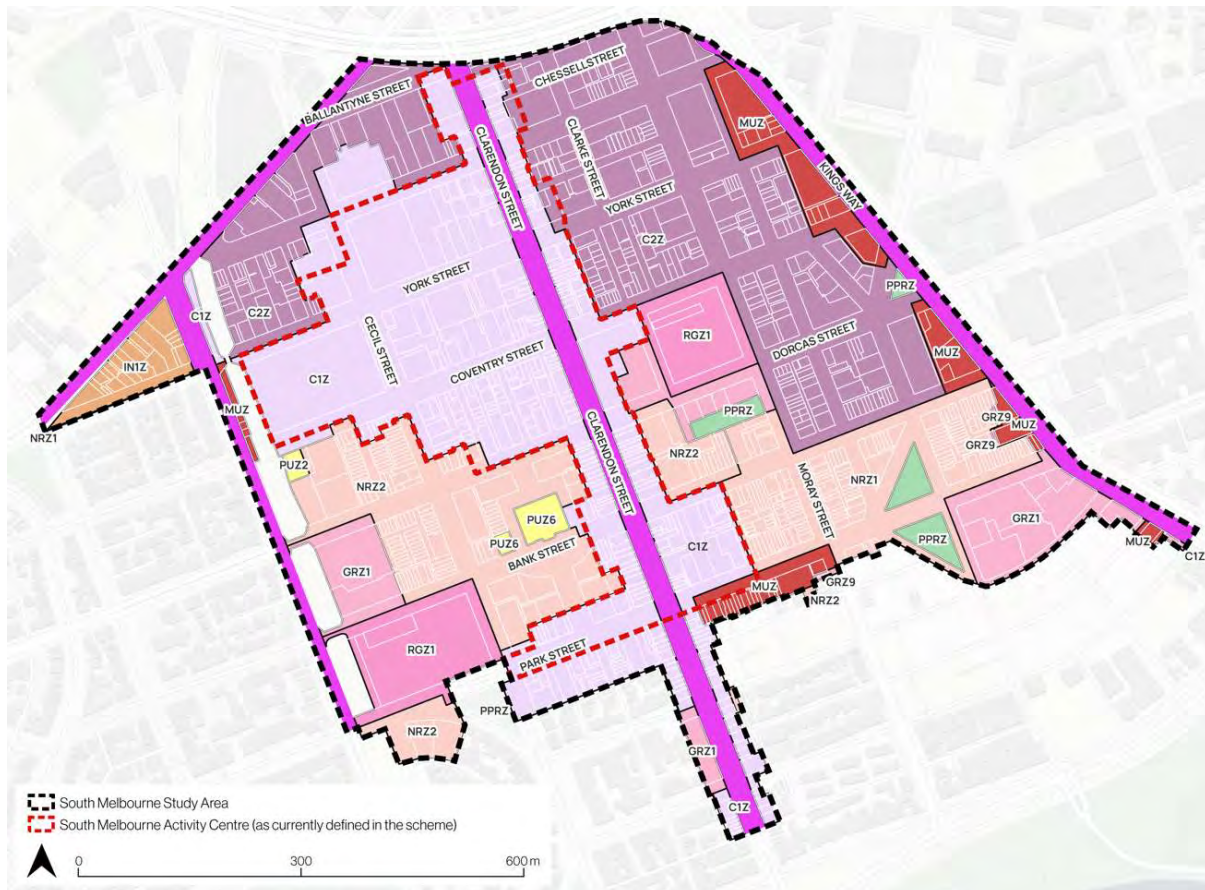
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EXECUTIVE SUMMARY

This South Melbourne Economic, Employment and Land Use Study (SMEELUS) analyses the economic and employment role of South Melbourne to identify economic specialisations, land use trends and opportunities. The findings of SMEELUS will be used to inform the preparation of a new Structure Plan for the Study Area, the boundaries and current planning zones of which are shown in the figure below.

Study Area



Source: City of Port Phillip.

STRATEGIC AND POLICY CONTEXT

Planning policy identifies South Melbourne as containing a Major Activity Centre and a regionally significant industrial area which is also referred to as an Enterprise Precinct. There is strong State policy support for the retention of commercial and industrial land in South Melbourne.

The development of the Fishermans Bend Urban Renewal Area to the west of South Melbourne – in particular the Montague Precinct which is adjacent to the study area – will result in changes to the land use mix and economic context for the study area.

ECONOMIC ROLE AND BUSINESS MIX

The study area performs several economic roles which merge across the Major Activity Centre and other commercial land, resulting in a diverse mix of uses across office, retail, residential, industrial and large-format commercial. Hospitality premises are a feature of both the activity centre and other commercial land.

The **Major Activity Centre** accommodates a wide range of retail, hospitality, office and residential land uses centred around Clarendon Street and the South Melbourne Market.

The **Enterprise Precinct** contains a mix of commercial, studio and showroom uses, many of which have established in re-purposed industrial premises.

A defining characteristic of the study area is the different built form compared with other city fringe areas south and west of the CBD. The combination of lower scale, medium density, mixed use, high amenity and heritage buildings creates a highly attractive and differentiated business location. Nearby precincts such as Southbank, St Kilda Road and Docklands have building heights and employment densities that closely reflect the CBD – South Melbourne is clearly differentiated by its built form.

Population and demographic indicators are summarised as follows:

- The South Melbourne community is generally affluent, although the presence of public housing within the study area results in relatively polarised levels of resident advantage and disadvantage.
- Local residents are generally well educated and skilled, making it a particularly attractive location for businesses seeking professional workers.
- Strong population growth is projected for many areas adjacent to the study area, especially Fishermans Bend to the immediate west and Domain to the immediate east, however more limited growth is projected for South Melbourne itself.

Key indicators of the existing business base and economic specialisations are as follows:

- The business and employment base in the study area is weighted towards professional services, creative industries and retail and hospitality businesses.
- The business mix is dominated by micro and small professional businesses with less than 20 staff, however recent development is creating larger floorplates and office premises.
- The local business base has increased in recent years, driven primarily by knowledge based sectors and hospitality.
- Advertising and computer system design are the sub-sectors of highest employment, together making up more than half of the professional services employment in the study area.
- South Melbourne is one of only seven suburbs within 10km of the CBD with more than 15% of its workers employed in creative industries, indicating a particular specialisation in creative business types.
- South Melbourne has a high concentration of motion picture and video production businesses – many of these businesses utilise former industrial spaces across the study area.
- South Melbourne accommodates several video game development businesses, many of which are expanding and hiring staff with a focus on export-oriented revenue.
- There are synergies between various local sectors such as radio broadcasting, advertising, marketing, video production, sound recording, post-production and game design; which underpin a highly specialised and well established media cluster.
- The South Melbourne Market is a major retail destination which contributes to the amenity and vibrancy of the study area. Hospitality, professional and creative businesses are intensifying around the market.

DEVELOPMENT ACTIVITY

A limited number of residential developments have occurred in the study area in recent years. This contrasts with the surrounding areas of Fishermans Bend, Southbank and St Kilda Road where substantial redevelopment activity is continuing.

The majority of development activity that is underway or has taken place in South Melbourne in recent years is commercial office. Recent and proposed additions will add substantial capacity to the area to accommodate businesses and employees.

Co-working spaces are common in South Melbourne and are mostly located within new multi-storey commercial development. The predominance of micro and small professional businesses in South Melbourne, coupled with high commercial rents, underpins demand for flexible office space.

Most larger sites have now been redeveloped in South Melbourne. Property representatives indicated that future development at scale will be difficult to achieve without lot consolidation and that height controls, although important to the retaining the mid-rise character of the area, could be increased to improve the prospect of intensification.

DEMAND AND CAPACITY

The major conditions likely to influence demand for floorspace in the study area are as follows:

- The city fringe has now become a legitimate office space alternative to the CBD – a new generation of workers seek high levels of local amenity and are attracted to businesses in non-conventional office buildings – South Melbourne’s attributes are well matched to this trend.
- The retail sector has experienced relatively low growth and slowed resident spending, primarily caused by stagnant wage growth, subdued consumer sentiment and volatile economic conditions. Increased online sales has contributed to a challenging environment for some retail types.
- Increasing expenditure of workers on eating out and a preference to work in locations with high amenity street and hospitality environments, especially professional workers, has led to a strong correlation between the growing professional workforce in South Melbourne and the wide range of day-time hospitality options.
- Although South Melbourne itself is projected to experience relatively low population growth (1.3% p.a.), proximity to high-growth and high-density urban renewal precincts will create substantial population growth and associated demand for retail and other services. Although some new activity centres and retail opportunities are proposed in Fishermans Bend and Southbank, South Melbourne is well placed to perform an ongoing ‘Major Activity Centre’ role to support this growth.

Analysis of demand and capacity for employment land found that:

- Based on projected employment growth and current development activity, there is expected to be the need for approximately 142,000 – 187,000sqm of office space in the study area by 2040.
- Between 16,000sqm and 21,000sqm of core retail floorspace could be supportable in the study area by 2040.
- There is an estimated capacity for an additional 361,000sqm of gross floorspace in the study area within existing planning controls, however realisation of this yield is likely to be complicated by fragmented ownership and strong competition between different land use types.

ECONOMIC OBJECTIVES

The primary economic objective of future planning for the precinct should be to maintain a prosperous activity centre and business precinct while ensuring that the area progressively responds to changing market conditions and the growing needs of the surrounding population.

Specific objectives and priorities to support the economic role of the study area are as follows:

1. Protect and enhance local strengths such as heritage, low-mid rise built form and genuine mix of land uses.
2. Retain and grow specialisations in hospitality and specialty food.
3. Capitalise on the popularity of the South Melbourne Market to create a thriving street-based retail precinct.
4. Provide additional core retail floorspace to meet the needs of the growing resident, worker and visitor catchment.
5. Support non-food retailers to respond to online and other competition.
6. Accommodate projected employment growth and ongoing demand for office space, especially in small and medium premises.
7. Support and grow the value of the agglomeration of media businesses, including through the retention of suitable premises where possible.
8. Provide opportunities for ongoing reinvestment, mixed use development and new employment floorspace in areas proximate to public transport, especially within walking distance to ANZAC Station.
9. Improve safety, activation and diversity of uses east of Clarendon Street.
10. Provide a range of affordable business spaces which suit micro, small and medium businesses.

KEY PRECINCTS

Specific opportunities and recommendations are made in relation to the following major drivers of change. The below provide a summary of recommendations – full details are provided in the body of the report.

Enterprise Precinct:

- Planning for South Melbourne should highlight and seek to support creative industry specialisations, while acknowledging that these businesses occupy a wide range of premise types including offices.
- The affordability of business space is likely to be an ongoing weakness and challenge for the Enterprise Precinct. Co-working spaces should be encouraged, along with ensuring overall commercial floorspace continues to increase across the precinct.
- Improving the public realm and overall 'quality of place' in eastern parts of the Enterprise Precinct should be a focus of strategic planning, including encouragement of hospitality and business services and investment in public realm elements such as pedestrian infrastructure and local open spaces.
- It is important that new development is facilitated to accommodate strong floorspace demand and increase the critical mass of the precinct. Fragmented land holdings warrant consideration of a moderate increase in built form controls while retaining the mid-rise form and valued character elements.
- Maintaining and strengthening the accessibility of the precinct for residents, workers and visitors should be a focus of planning, especially improving safe and direct local movement (active transport) connections between the Enterprise Precinct and nearby areas, including the MAC, Domain, Southbank and ANZAC Station.

ANZAC Station

- ANZAC Station will significantly improve public transport access to the South Melbourne and St Kilda Road areas which is likely to increase demand for a range of uses, including commercial. Although the study area is not in the immediate vicinity of the station, planning should identify areas which are likely to be suitable for densification of employment floorspace, especially land south of Coventry Street in the C2Z and MUZ.
- Active transport connections from ANZAC Station to and through the study area will be important to enable efficient movement of people (especially workers) through the area. Kings Way is a major barrier to active

transport movement – ways to alleviate this barrier to movement should be considered as part of the Structure Plan.

Fishermans Bend

- The economic role of South Melbourne will be influenced by the redevelopment of land in Fishermans Bend, especially the adjacent Montague Precinct.
- South Melbourne’s future business role should be differentiated from that of the broader Fishermans Bend area wherever possible. This can be achieved by ensuring planning controls encourage a wide range of land uses in the activity centre and immediate surrounds and position the Enterprise Precinct as the last remaining ‘business only’ land area in the southern city fringe with a diversity of premise types to be retained where possible.
- Given the Montague core will provide a dense activity centre which will compete with the South Melbourne MAC, planning should ensure that the MAC can continue to grow and improve its offer to maintain market share, particularly in terms of its specialisations in food retail, hospitality and showrooms.
- Physical connections between Montague and the study area should be strengthened, particularly for active transport, so that businesses and retailers in South Melbourne are easily accessible to residents and workers in Montague and elsewhere in Fishermans Bend.
- Built form controls for South Melbourne should seek to differentiate the area from the high density Sandridge core so that different business settings are available to a range of business types over the medium – long term.

PLANNING ASSESSMENT

The key recommendations of a planning assessment which responds to the findings of the economic analysis are summarised below – full details of the findings and recommendations are provided in Section 8.

- The spatial extent of the South Melbourne Enterprise Precinct should be defined by land currently within the C2Z and IN1Z.
- The C2Z is the most appropriate zone to support the function of the employment areas surrounding Clarendon Street as an Enterprise Precinct and is needed to support forecast employment and commercial floorspace growth.
- The area of IN1Z land in the north-west of the study area should be rezoned to C2Z and form part of the Enterprise Precinct.
- Council should consider options to create additional capacity across the MAC and Enterprise Precinct to accommodate residential and retail space, including increasing the yield potential of built form controls (if suitable from an urban design perspective) and establishing a policy framework for retail space in designated parts of the C2Z.
- Further urban design testing should be undertaken to determine whether or not locations with wider streets within DDO8 could potentially accommodate more intensive building forms than are currently permitted under this control, without materially impacting on the low-rise character of such areas.

1. INTRODUCTION

1.1. ENGAGEMENT

The City of Port Phillip engaged Urban Enterprise to prepare the South Melbourne Economic, Employment and Land Use Study (SMEELUS).

The purpose of the study is to analyse the economic and employment role of South Melbourne to identify economic specialisations, land use trends and opportunities. The findings of this study will be used to inform the preparation of a new structure plan for the study area.

1.2. THE ROLE OF LAND USE PLANNING IN ECONOMIC & EMPLOYMENT ACTIVITY

Land use planning is one of the key mechanisms available to local government to direct, facilitate and optimise economic activity. Through a combination of local policy, built form controls, economic development initiatives and direct investment, Councils can to some extent shape the type, location and scale of business and economic activity which takes place in a municipality. There are, naturally, many aspects of the local economy which cannot be influenced by local governments.

Appropriate land use planning can also be used to:

- Manage negative impacts from employment uses;
- Manage interface between uses;
- Encourage clustering and agglomeration;
- Establish a role and hierarchy of economic, employment and activity centre uses; and
- Impact the quality of places and precincts through urban design programs.

The findings and spatial directions of this study will be used to inform future structure planning.

1.3. SCOPE

The scope of this study is as follows:

- **Strategic and location context** – a summary of strategic planning and economic policy and strategies which provide guidance on economic priorities and spatial planning directions.
- **Existing situation** - a baseline analysis of the existing property, land use, demographic, business and employment uses in the study area.
- **Economy and employment** – an assessment of the South Melbourne economy and employment composition, including areas of specialisation, growth sectors and drivers of change.
- **Development activity** – analysis of recent development activity in the study area, including residential and non-residential development.
- **Trends, projections and capacity** - commentary on the major trends impacting land use and local economies in inner Melbourne, along with projections of local employment, population and retail floorspace needs in the study area.
- **Analysis and options** – analysis of strengths, weaknesses, opportunities and threats, along with economic objectives and planning options.

Sections 1-5 were prepared as part of a background report to inform initial planning for the study area. These sections were updated following release of 2021 Census information along with preparation of the subsequent sections which consider future needs and planning options.

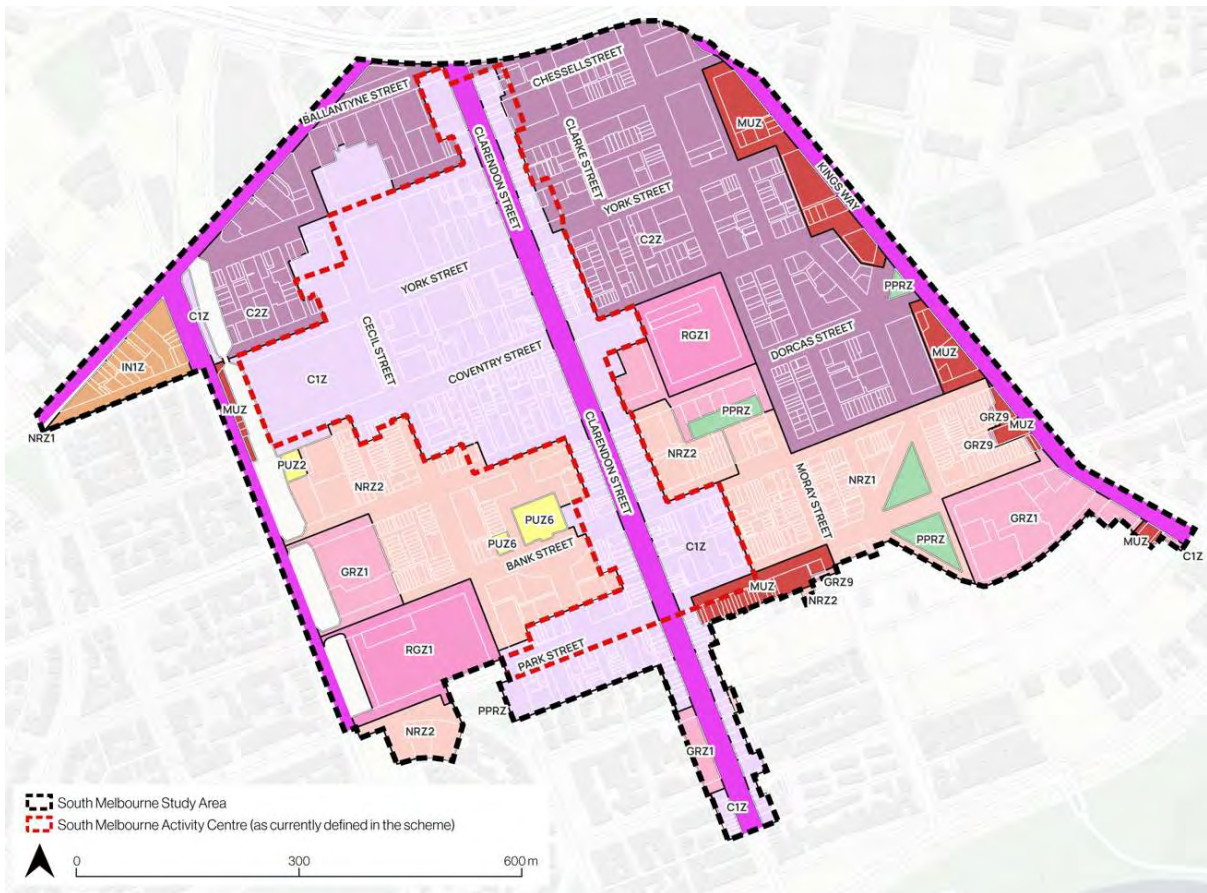
1.4. STUDY AREA

1.4.1. BOUNDARIES

The Study Area is shown in Figure 1. The study area is bound by Kings Way to the east, Ferrars Road to the west, City Road and the West Gate Freeway to the north, and properties fronting Park Street to the south. The southern part of the study area also extends south of Park Street along the Clarendon Street corridor.

The South Melbourne Central Major Activity Centre is contained within the Study Area – the Activity Centre boundary generally (but not exclusively) aligns with the extent of the Commercial 1 Zone (C1Z) in the central part of the study area as shown in Figure 1.

F1. STUDY AREA



Source: City of Port Phillip.

1.4.2. ZONES

The following planning zones apply to the study area:

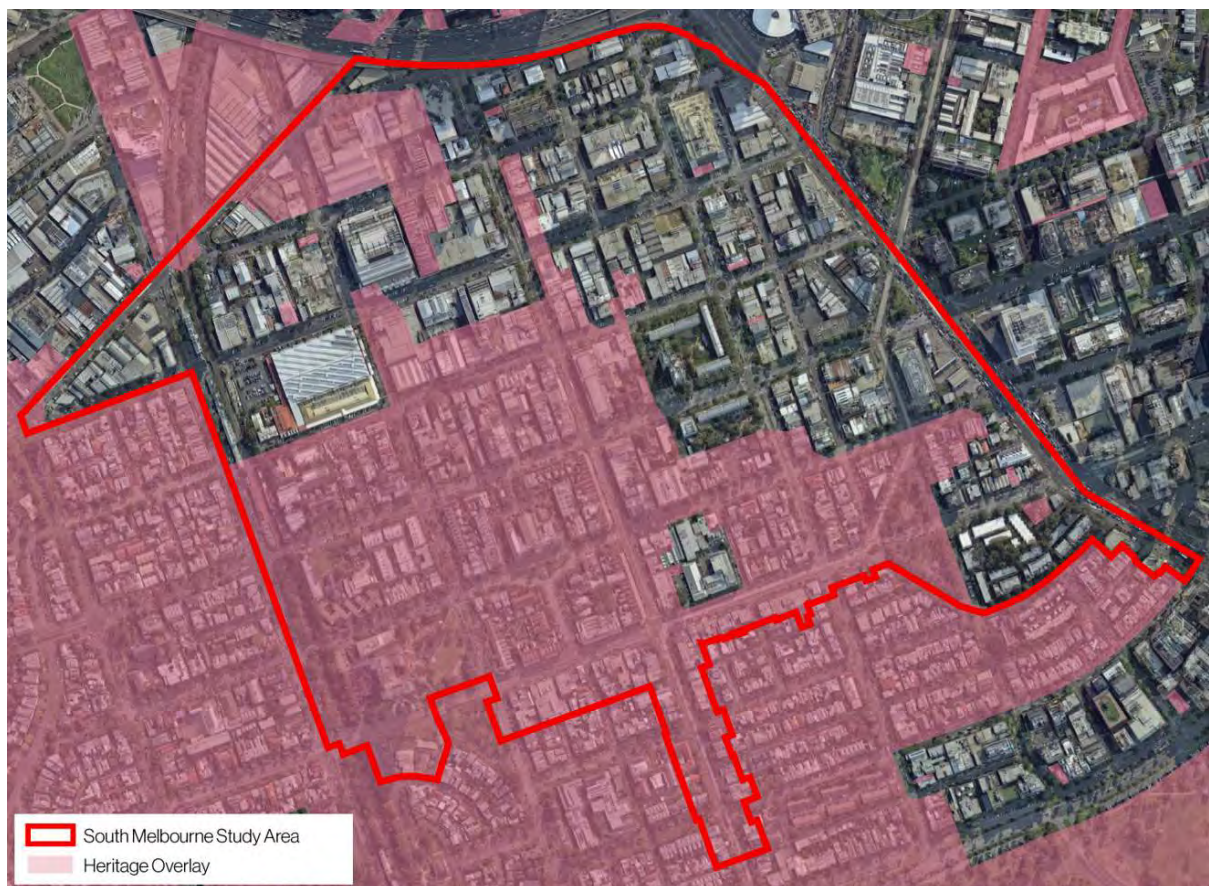
- Commercial 1 Zone (C1Z) throughout the South Melbourne Central Major Activity Centre;
- Commercial 2 Zone (C2Z) in the northern and eastern sections of the study area;
- Mixed Use Zone (MUZ) at the eastern and southern edges of the study area;
- Industrial 1 Zone (IN1Z) at the western edge of the study area; and
- Residential zones throughout the southern and central parts of the study area, including the Residential Growth Zone (RGZ), General Residential Zone (GRZ) and Neighbourhood Residential Zone (NRZ).

1.4.3. OVERLAYS

HERITAGE OVERLAY

Heritage overlays apply to much of the southern and central sections of the study area, impacting most land in the residential zones and Commercial 1 Zone. Heritage overlays do not apply to most sites in the C2Z east of Clarendon Street.

F2. HERITAGE OVERLAYS, STUDY AREA



Source: Urban Enterprise.

DESIGN & DEVELOPMENT OVERLAY

Two Design and Development Overlays apply to the study area:

- DDO8 applies to most non-residential land in the study area (with the exception of the Industrial 1 Zone); and
- DDO16 applies to a single site at the corner of York and Cecil Streets.

Figure 3 shows land that is subject to a DDO and Figure 4 shows the sub-precincts of DDO8.

F3. DESIGN AND DEVELOPMENT OVERLAYS



Source: Urban Enterprise.

F4. DDO8 SUB-PRECINCTS



Source: Port Phillip Planning Scheme, annotated by Urban Enterprise.

In summary, DDO8 seeks to:

- Protect the distinct built-form attributes of commercial areas in South Melbourne Central compared with surrounding areas (e.g., CBD, Southbank);
- Support incremental change through redevelopment; largely in C1Z areas such as the Emerging Activity Precinct (sub-precinct 2), Southern Mixed Activity Edge (4) and the Coventry Street Shopping Precinct (5); and
- Allow for low to medium rise development that does not materially impact on the vibrancy and pedestrian activity at the street level.

Table 1 summarises the objectives of DDO8 in terms of land use mix and built form for each of the sub-precincts shown in Figure 4. The development activity that has taken place in the study area since the Structure Plan was adopted and DDO8 introduced is analysed in later sections.

T1. DDO8 LAND USE MIX AND BUILT FORM SUMMARY

DDO8	Precinct	Role and land use mix	Built form objectives
1	Clarendon St Core Local Shopping Precinct	Strip shopping, retail and activity focus.	Low rise with a setback upper level that does not diminish sunlight access to Clarendon Street.
2a, 2b, 2c	Emerging AC	Mixed-use area, pedestrian connection between Clarendon Street and South Melbourne Market.	Medium rise, setback upper levels to not unreasonably diminish sunlight access to the footpaths of York Street and Cecil Street.
3	Northern Mixed Activity Edge	Vibrant and active pedestrian environment with public realm and street planting that support retail and business role in Clarendon Street.	Low rise with upper level setbacks that does not diminish sunlight access to Clarendon Street. Scale and design make a visual transition between Clarendon Street and CAD-edge development north of freeway
4a, 4b	Sothern Mixed Activity Edge	Mixed-use precinct with active pedestrian environment and attractive public realm.	Medium rise, setbacks to ensure building do not diminish sunlight access to the footpaths of Park Street
5a, 5b	Coventry St Shopping Precinct	Vibrant shopping precinct and active pedestrian environment.	Medium rise, setbacks to ensure building do not diminish sunlight access to the footpaths of Coventry Street
6	South Melbourne Market	South Melbourne Market, an important shopping and activity space.	New development is of a scale and form that maintains a pedestrian scale in this precinct.
7a, 7b, 7c	Eastern Business Precinct	An attractive business area with a mix of new architecture and refurbished industrial buildings, attracting wide range of creative business and industries.	Retain the eclectic mix of building types and functions, and to maintain sunlight access to residential properties on the southern side of Bank Street.
8a, 8b, 8c	Western Business Precinct	Will become an attractive business area while retaining its 'hard edge' industrial feel	Ensure that new built form does not unreasonably diminish sunlight access to the footpaths of Market Street and York Street.
9a, 9b, 9c	Kings Way Mixed Use Corridor	Will become an attractive transitional space between the CAD (Melbourne's Central City) and the City of Port Phillip.	Create a transition in the built form between Kings Way and the interface with the Eastern Business Precinct. Ensure that buildings along Kings Way do not reduce sunlight access to nearby residential properties. This is generally a medium-high rise area (10 storeys max) over a wide boulevard, being Kings Way.
11	Ferrars St Light Rail Corridor	Mixed use precinct along a transit corridor, complimenting the role of the Activity Centre	Protect views to the historic bluestone bridges and complements residential areas on the western side of Ferrars Street.

Source: Port Phillip Planning Scheme.

2. CONTEXT

2.1. INTRODUCTION

This section summarises the State, regional and local strategies and studies which provide both general strategic planning context and specific analysis and recommendations for the economic role that South Melbourne could perform within the context of inner Melbourne.

2.2. KEY POINTS

- **State planning policy identifies that the Study Area includes a regionally significant Major Activity Centre and a regionally significant industrial area which is also identified in research and recent policy as an Enterprise Precinct.**
- **There is strong policy support for the retention of commercial and industrial space in the study area, and some previous studies have identified both the need for affordable business space to be retained and for opportunities to increase the employment role of parts of the study area in the context of residential development being permitted under current zoning.**
- **Previous studies identify that the key factors of location, built-form, heritage and amenity drive the attractiveness of South Melbourne to certain businesses and activities, with these characteristics differentiating the precinct from adjoining precincts such as the CBD, Southbank and St Kilda Road. These points of difference have combined to underpin the attraction of businesses in creative, knowledge and professional service sectors that have developed into business and employment specialisations.**
- **Previous work highlights that the heritage and built-form characteristics (scale, density) are a point of difference, and potential change should be carefully considered and managed to protect existing areas of specialisation.**
- **In the short term, the economy is recovering from the COVID pandemic, with demand for office space gradually returning towards pre-pandemic levels, however changing work and travel patterns are likely to influence demand.**
- **Retail sector challenges are driving a place-based approach to activity centre planning with the aim of accommodating a diverse mix of retail, hospitality, employment, health and recreation uses.**
- **Delivery of ANZAC Station will substantially increase the number of workers who can access the St Kilda Road / Domain area by public transport within a reasonable commuting time - this is likely to underpin demand for knowledge-based businesses in this area. The south-eastern section of the study area (within the Enterprise Precinct) is within walking distance of ANZAC Station.**
- **In the long term, Australia's productivity challenge will require innovation and new business creation – this will require a range of suitable and affordable business premises, including in inner areas.**

2.3. POLICY CONTEXT

2.3.1. PLAN MELBOURNE

Plan Melbourne identifies Major Activity Centres (MAC) as locations where policy supports investment and job creation to ensure that employment grows outside the central city – South Melbourne is identified as a MAC. MACs help achieve improved access to jobs through the delivery of medium-high density housing closer to jobs and public transport.

Plan Melbourne places strong emphasis on the role of ‘neighbourhoods’, introducing the concept of the **20-minute neighbourhood** to planning in Victoria. The concept encourages jobs, services, community uses and transport to be planned within a 20 minute walk of residents. To achieve this, Plan Melbourne set out the range of services, housing, employment and transport that should be provided in these neighbourhoods.

The 20-minute neighbourhood concept is critical to the way in which planning policy is shaping the next phase of growth and change in both established and growth areas of Melbourne. The key elements are summarised in Figure 5.

F5. 20 MINUTE NEIGHBOURHOOD CONCEPT



Source: Plan Melbourne, DEWLP, 2017.

2.3.2. MELBOURNE INDUSTRIAL AND COMMERCIAL LAND USE PLAN

The Melbourne Industrial and Commercial Land Use Plan (MICLUP, DELWP, 2020) provides an overview of current and future needs for industrial and commercial land across metropolitan Melbourne and puts in place a planning framework to support state and local government to more effectively plan for future employment and industry needs, and better inform future strategic directions.

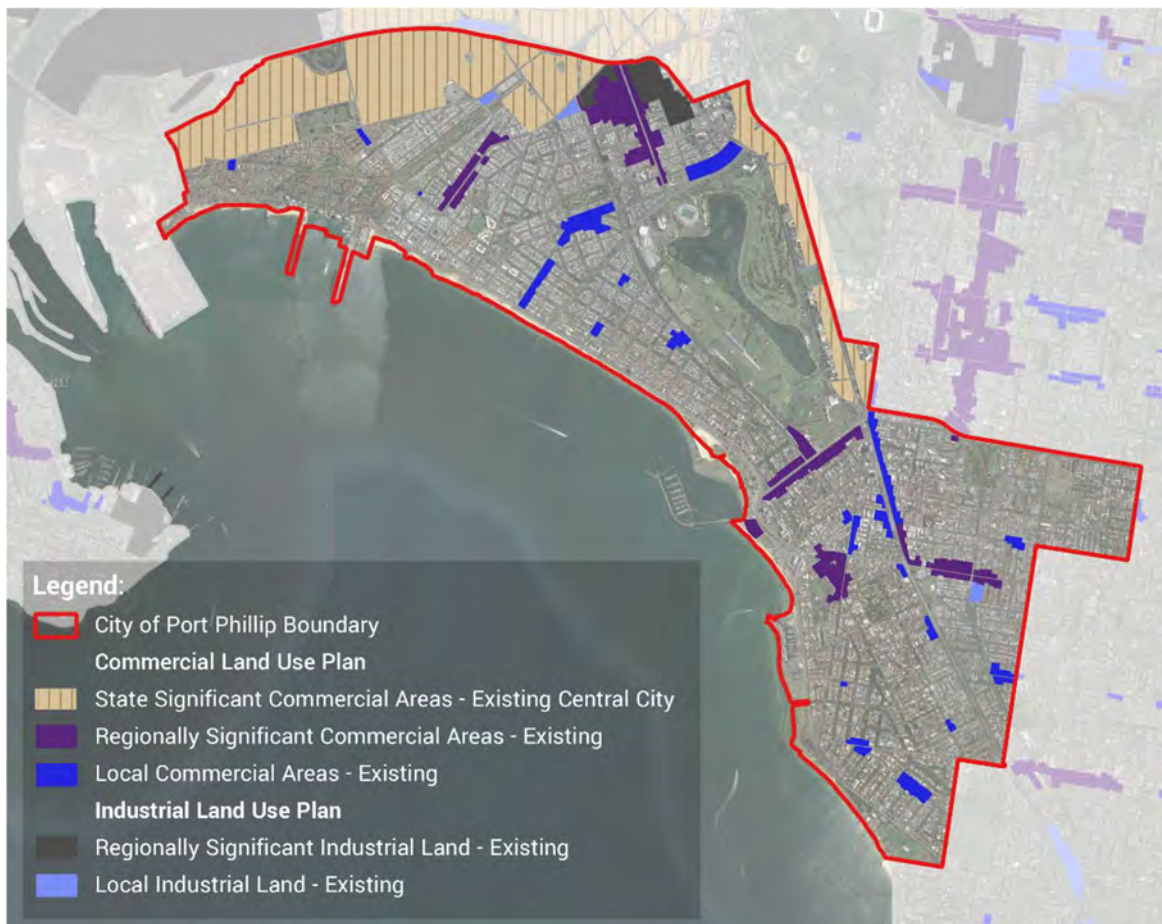
MICLUP categorises commercial and industrial areas as of State, Regional or Local significance and sets out planning policy directions for each category. The categorisation of areas in Port Phillip is shown in Figure 6. The Study Area for this project includes the following areas:

- The South Melbourne Major Activity Centre, categorised as a “Regionally Significant Commercial Area”;
- Commercial 2 Zone land in South Melbourne, categorised as “Regionally Significant Industrial Land”; and
- The Industrial 1 Zone land in South Melbourne, categorised as “Local Industrial Land”.

The policy direction for each category of commercial and industrial land is summarised in Table 2. MICLUP specifically identifies the aim to support and retain the creative industry use currently present in South Melbourne.

Planning scheme amendment VC215 (gazetted in March 2023) introduced MICLUP as a state policy document.

F6. MICLUP PLANNING FRAMEWORK



Source: MICLUP, 2020, adapted by Urban Enterprise.

T2. FRAMEWORK FOR INDUSTRIAL AND COMMERCIAL PRECINCTS

Significance	Commercial	Industrial
State	The Central City provides for growth of knowledge-intensive and high-skilled firms while continuing to be a major area for tourism, retail, residential, entertainment, sporting and cultural activities	(Not applicable to study area as there is no state significant industrial or commercial land)
Regional	Should provide for and support access to a wide range of goods and services, including office and retail development, and provide for a wide range of employment opportunities. They are expected to deliver more intensive forms of employment uses including office and commercial activity.	To be planned for and retained either as key industrial areas or locations that can transition to a broader range of employment opportunities.
Local	Planning for these areas should create opportunities for local businesses and new jobs and deliver better access to local services and facilities.	Councils are best placed to determine how these industrial areas are to be planned for. This could include identifying when industrial land should be retained, when it could transition to other employment generating uses, or if it is no longer required, when it could transition to other uses.

Source: MICLUP, Urban Enterprise.

Planning Scheme Amendment VC215, gazetted in March 2023, gives stronger effect to MICLUP in the Victoria Planning Provisions, providing additional clarity and certainty around how state-significant and regionally-significant industrial and commercial precincts are planned and ensuring that they can operate efficiently and remain viable.

The amendment:

- Introduces MICLUP as a state policy document;
- Inserts new state planning policy that aims to preserve locally significant industrial land for industrial or employment generating uses;
- Inserts new regional planning policy for metropolitan Melbourne to protect industrial land of regional significance, facilitate continual growth in freight, logistics and manufacturing investment and support the transition from manufacturing land uses to other employment uses in strategically identified areas;
- Introduces subregional-level planning policy that identifies strategies to protect employment land supply and jobs across metro Melbourne – reflecting the policies and strategies outlined in MICLUP (refer to Section 8 for further discussion).

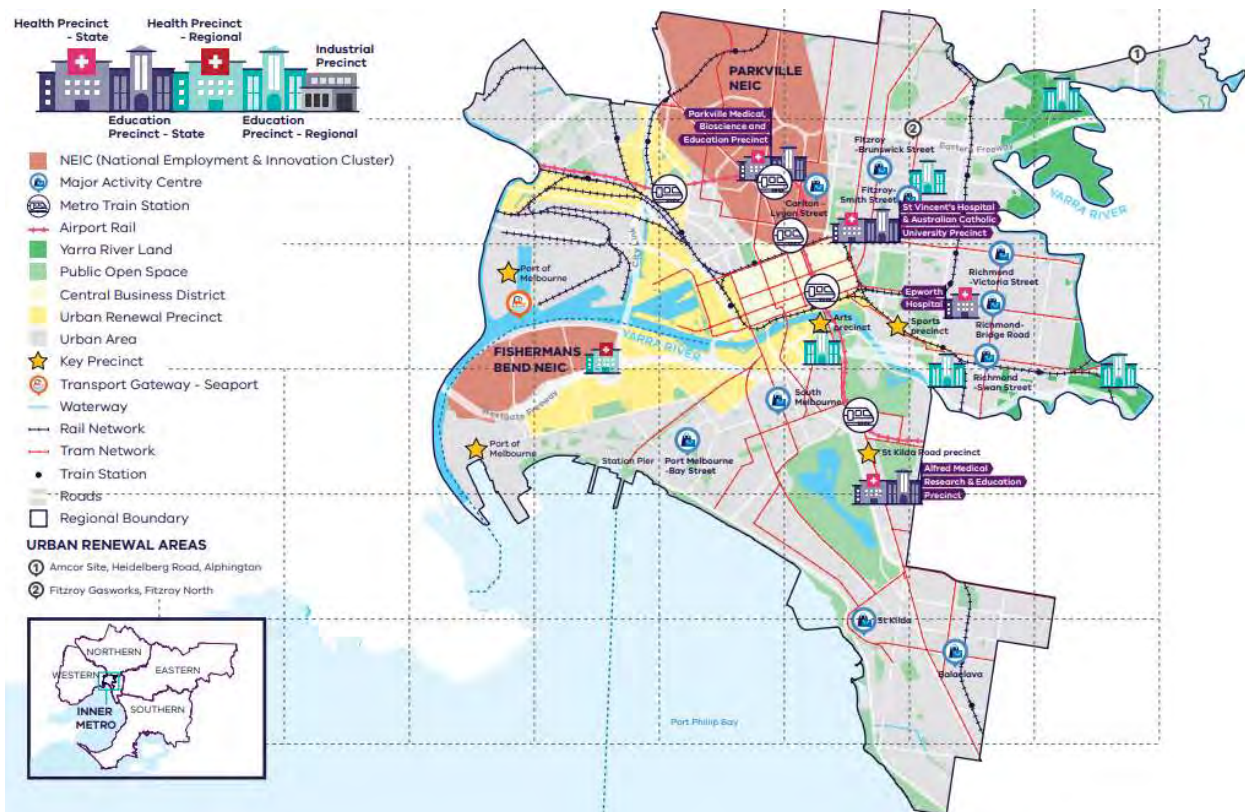
2.3.3. INNER METRO FRAMEWORK PLAN

DELWP is currently preparing a program of Framework Plans designed to guide the implementation of Plan Melbourne at the regional level. The draft Inner Metro Framework Plan (draft **IMFP**) was released for public consultation in August 2021 and applies to the Cities of Port Phillip, Melbourne and Yarra.

The draft IMFP outlines a vision for the region which includes being the research capital of Australia and being internationally recognised as a tourism and major event destination. Of relevance to South Melbourne, the Framework Plan (shown in Figure 7) identifies:

- Urban Renewal Precincts near the study area at Fishermans Bend and Southbank;
- The St Kilda Road Precinct and the Arts Precinct as 'Key Precincts' near the study area; and
- The proposed Metro Train Station (Anzac Station near to the study area);
- South Melbourne is identified as a Major Activity Centre, but the Enterprise Precinct is not shown.

F7. INNER MELBOURNE FRAMEWORK PLAN



Source: DELWP, 2021.

To implement the vision for the region as well as implement the directions of Plan Melbourne relevant to the Inner Melbourne region the Plan includes a number of strategies.

Of greatest relevance to this study is the 'Productivity' chapter of the Plan, which includes the following directions:

- Direction 1: Support the Central City to become the pre-eminent and largest commercial centre in Australia by 2050;
- Direction 2: Strengthen the Inner Metro Region as a local and international destination for sport, arts, culture and entertainment to attract investment and visitors;
- Direction 3: Facilitate the development of the Parkville and Fishermans Bend NEICs as major economic contributors for the regional and national economy supported by increased transport connectivity;
- Direction 4: Enhance the Inner Metro Region's vibrant and diverse activity centres and their contribution to the identity of the region;
- Direction 5: Retain existing and support emerging employment areas, including industrial and enterprise precincts, across the Inner Metro Region;
- Direction 6: Facilitate well-designed, high-amenity and quality medium- and higher-density environments in major urban renewal precincts to provide employment growth.
- An action in the Plan relevant to this study is to:

"Identify precincts and opportunities where new commercial land can be supplied which can help to accommodate future needs. This may include intensification of commercial uses within existing commercial zoned land, or the rezoning of existing land for commercial uses."

Recommendations and Strategies in the Plan specifically relevant to South Melbourne are:

- South Melbourne Activity Centre is planned to “continue as a sustainable mixed use precinct” which provides “a unique urban village character and street life, while the number of residents, workers and visitors continue to grow.”
- South Melbourne Central Business Precinct is:
 - Identified as one of three ‘Enterprise Precincts’ alongside Collingwood and Cremorne; and
 - Identified as a ‘Regionally Significant Industrial Area’.
- Strategy 13. Ensure the region’s activity centres provide adequate jobs, services and opportunities for recreation and entertainment to service workers and visitors from across metropolitan Melbourne.
- Strategy 14. Retain existing commercial zoned land and identify areas that can support future demand for commercial floorspace and new investment with a focus on major activity centres and major urban renewal areas.
- Strategy 15. Encourage a diversity of employment uses in major activity centres and facilitate the provision of key services to complement other employment precincts within the Inner Metro Region.
- Strategy 16. Support the development of enterprise precincts in Cremorne, South Melbourne, Arden and Collingwood and encourage their continued development as key locations for creative industry uses.
- Strategy 17. Maintain a variety of uses and lot sizes in enterprise precincts to retain commercial affordability for start-ups and small businesses and ensure the agglomeration of complementary uses.
- Strategy 18. Retain regionally-significant industrial land by managing encroachment by other uses that would cause fragmentation and may compromise the development and efficient operation of existing businesses.
- Strategy 19. Identify and plan for areas that can support future demand for employment uses and new investment.
- Strategy 24. Deliver a high-quality public realm and urban design in major urban renewal precincts, and through the region’s employment precincts including activity centres and enterprise precincts.

Overall, the IMFP seeks to retain existing commercial and industrial zoned land, identify areas with capacity to support investment and growth, encourage the growth of enterprise precincts and accommodate a diversity of employment and services in activity centres. There is clear identification of the specialised economic role of the study area.

2.3.4. ENTERPRISE PRECINCTS

Although not referenced in Plan Melbourne, 'Enterprise Precincts' have been the focus of investigation by the State government¹ as a means of implementing the strategic direction of Plan Melbourne, in particular to tackle the challenge of creating the jobs of the future.

Enterprise precincts are defined as "places that allow for critical mass to be attained, where competitive advantage and an identifiable brand can be reinforced, and where agglomeration benefits and the sharing of knowledge and services can be realised." Successful precincts create an 'innovation ecosystem' which is recognised as "the interconnected relationship between people, enterprises and place that facilitates idea generation and advances commercialisation".²

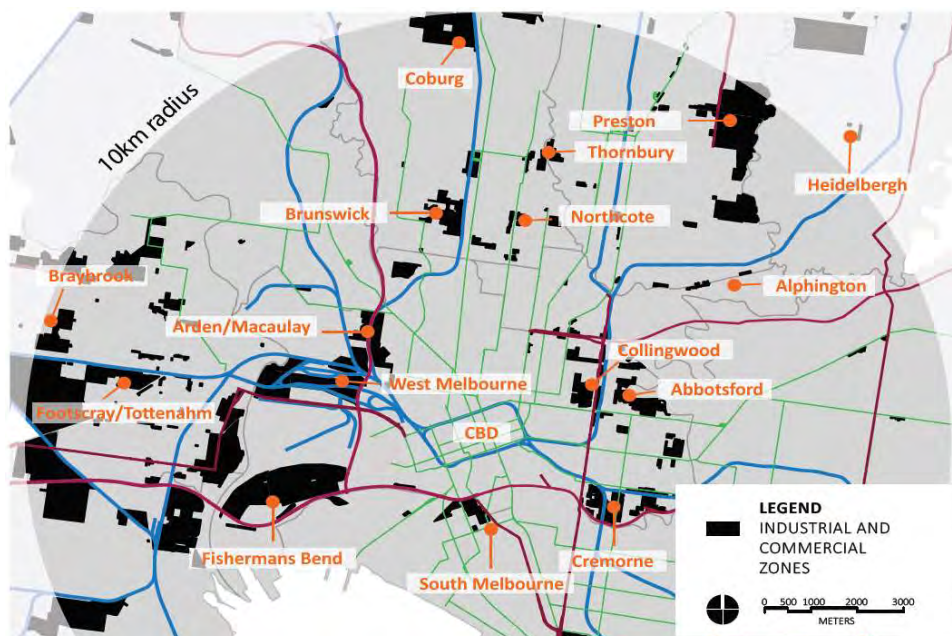
Examples of existing or emerging precincts in Melbourne identified in DELWP's Policy Paper include West Melbourne, Cremorne, Brunswick and South Melbourne. Pilot studies are currently underway for Enterprise Precincts in Brunswick and Cremorne.

Research into Enterprise Precincts³ found that several such areas exist around Melbourne, generally within 10km of the CBD, with large areas zoned a mix of Industrial 1, Industrial 3 and Commercial 2. The research found that:

- Enterprise Precincts play an important role in the incubation of creative industries, niche manufacturing and start-ups.
- The trend of displacing employment activities for residential uses in precincts such as these is increasing, with residential market attributes and development fundamentals that are attractive to investors.
- Whilst certain types of businesses have migrated from older inner metropolitan industrial areas, there are many new types of businesses that have established in these precincts, which were originally a result of affordability, agglomeration and business clustering, access to skilled labour, and high quality amenity.

Figure 8 shows industrial and commercial precincts within 10km of the CBD. Along with Cremorne and Burnley, South Melbourne is one of few such precincts to the south of the city.

F8. MELBOURNE'S INNER INDUSTRIAL AND COMMERCIAL PRECINCTS



Source: Melbourne's Enterprise Areas: Catering for the New Work Order, Echelon Planning, 2018.

¹ Unlocking Enterprise in a Changing Economy, DELWP, 2018.

² Brooking Institute; Cremorne place Implementation Plan, 2020.

³ Melbourne's Enterprise Areas: Catering for the New Work Order, Echelon Planning, 2018.

FACTORS DRIVING THE SUCCESS OF ENTERPRISE PRECINCTS

The 'Factors Driving the Success of Enterprise Precincts' framework provides a holistic approach to assess the strengths and weaknesses of precincts, and provides a useful aid in decision making about where to target efforts and partnerships. DELWP's policy paper identifies the following nine factors that drive the success of Enterprise Precincts (see Figure 9):

1. Quality of place;
2. Diversity and inclusion;
3. Affordability;
4. Critical mass;
5. Infrastructure;
6. Accessibility;
7. Anchor institutions;
8. Competitive advantage; and
9. Collaboration.

The South Melbourne Enterprise Precinct is assessed against these criteria in Section 7 of this report.

F9. FACTORS DRIVING THE SUCCESS OF ENTERPRISE PRECINCTS



Source: Unlocking Enterprise in a Changing Economy, 2018

2.4. LOCAL POLICY

The vision for the study area under the current local planning policies within the Port Phillip Planning Scheme (Clause 11.03-1L-05) is for South Melbourne to be a mixed use precinct with a unique urban village character and street life, supporting growth in residents, workers and visitors.

Some of the key land-use outcomes under these policies include the following:

- Ensuring that the Activity Centre retains its local convenience shopping role which serves surrounding residential communities and workers.
- Promoting the Activity Centre as a sub-regional shopping destination that provides quality comparison shopping for the wider community.
- Expanding the role of the Activity Centre as a location for knowledge based and creative industries, exploiting its strategic location adjacent to the Melbourne CAD.
- Encouraging moderate intensification of housing, subject to heritage and amenity considerations within the Activity Centre.

The local policies identify 13 precincts within the Activity Centre and contain specific land use strategies for each precinct. These policies support the following outcomes in the eastern and western business Precincts:

- Maintain the area's substantial light industrial and service business role;
- Support the establishment of high technology/knowledge based businesses, and;
- Ensuring the unique industrial built form heritage is maintained and that new development respect features such as the finer-grain subdivision, 2-3 storey street wall height, open sky views and sunlight access to key pedestrian routes.

The local policies support the establishment of small-scale offices and incubators for start-ups, emerging businesses and the creative arts in the Eastern precinct, and they encourage new larger office developments and restricted retail premises in the Western precinct.

Whilst the existing policies for the study area are based on a strategic plan (South Melbourne Central Structure Plan) which long pre-dates Plan Melbourne, a number of aspects of these policies continue to remain aligned to current state planning policy for MACs, commercial areas and enterprise precincts, particularly in relation to the following:

- The role of the South Melbourne MAC in delivering local and sub-regional shopping and services, supporting creative and knowledge based business, and moderate levels of housing growth;
- The role of the South Melbourne Enterprise Precinct in providing areas for intensive commercial activity, and in supporting creative and knowledge based business, and;
- The importance of the locality's unique urban village character and industrial built form heritage in attracting creative and knowledge based business and workers.

2.5. PREVIOUS STUDIES

2.5.1. SOUTH MELBOURNE CENTRAL STRUCTURE PLAN

South Melbourne Central (SMC) Structure Plan was published by the City of Port Phillip in August 2007. The Plan was prepared in response to increasing development pressures in the study area, and the designation of the Clarendon Street Precinct as a Major Activity Centre by the State Government in *Melbourne 2030*.

The study area that applies to the Structure Plan is shown in Figure 10, noting this is a different boundary to that of this study.

F10. SMC STUDY AREA & PRECINCTS

1. Clarendon Street Core Local Shopping Strip
2. Emerging Activity Precinct
3. Northern Mixed Activity Edge
4. Southern Mixed Activity Edge
5. Coventry Street Specialty Shopping Precinct
6. South Melbourne Market
7. Eastern Business Precinct
8. Western Business Precinct
9. Kings Way Mixed Use Corridor
10. City Road Wedge
11. Ferrars Street Light Rail Corridor
12. Heritage Overlay Residential Areas
13. Emerald Hill Civic, Cultural and Community Hub



Source: City of Port Phillip, 2007.

The Plan provided the following 15 year vision for SMC:

"...A sustainable mixed use precinct focussed on the South Melbourne Activity Centre. It will continue to provide a unique urban village character and street life, while the number of residents, workers and visitors continue to grow."

Key recommendations of the Structure Plan were as follows:

- Improve transport connections and access to, and within SMC;
- Protect heritage areas;
- Provide opportunities for residential growth;
- Protect the economic role, including traditional industries, and the growing prevalence of knowledge-based sectors;
- Balance the residential, economic and employment role of SMC, and identify where new development should occur;
- Define a preferred character for change areas, including the height and design of the built form, and the public realm; and
- Develop the network of cultural, educational and community uses.

Importantly, the Structure Plan acknowledges the mixed use role and function of SMC, with a balanced focus on residential, business and community-related priorities.

The Plan provides strategic direction across six key themes – the theme most relevant to this study is “supporting the local economy”. Key strategic directions for this theme include the following:

- Embrace new, knowledge based business opportunities;
- Support existing industries to ensure they remain in SMC;
- Continue to grow the retail sector for convenience and everyday retail needs, as well as creative and design-oriented retail.

The following strategies and actions for the SMC economy are relevant:

- Promote the benefits of SMC as a CBD fringe location for business.
- Support emerging opportunities in ‘knowledge’ and ‘creative’ sectors, including marketing, management consulting, information technology, planning and design, human resources and research services.
- Maintain but consolidate traditional industries and commercial activities such as those located in showroom, warehouse, office premises.
- Continue to develop SMC as a retail hub with a high-quality and specialised retail offering.
- Manage the changing built-form needs of the area to ensure any changes occur incrementally.

2.5.2. IMAP COMMERCIAL ENTERPRISES AND CREATIVE INDUSTRIES IN INNER MELBOURNE

The City of Port Phillip participated in the Inner Metropolitan Partnership study into commercial enterprises and creative industries in inner Melbourne⁴, which includes South Melbourne as a case study.

Stakeholder engagement for the project identified a mix of both short term (COVID-19 related) and medium term opportunities for the South Melbourne precinct, such as:

- Building the brand of the precinct as a place for gaming, firm, design, etc;
- Increasing the supply of affordable workspace for startups and SMEs;
- Improving public space and creating new ‘anchors’ of amenity across the precinct;
- Protecting and enhancing the precinct’s accessibility via multiple modes;
- Creating a night-time economy.

The report made a series of recommendations generally relating to more formal identification, definition and planning for Enterprise Precincts and the introduction of new planning policy to facilitate the delivery of affordable workspace in strategic locations.

⁴ Supporting Enterprise and Creative Industries – Removing Barriers in Inner Melbourne, Echelon Planning and Hodyl and Co, April 2021.

2.6. ECONOMIC CONTEXT, KEY TRENDS AND DRIVERS OF CHANGE

Several economic and spatial trends and influences are impacting inner Melbourne and the broader Victorian economy. Issues most relevant to South Melbourne primarily relate to:

- Economic recovery from the COVID-19 pandemic;
- Structural economic shifts in Melbourne;
- Changes to the office working environment;
- Retail sector challenges and implications for activity centres; and
- Central city expansion, urban renewal and major transport investment.

ECONOMIC RECOVERY, LONG TERM CHALLENGES

Despite global economic uncertainty fuelled by the COVID pandemic and related disruptions, the Australian economy has rebounded strongly in 2022 and is projected to return to stable economic growth by 2024. Victoria has experienced a quicker than expected economic recovery from the impacts of the COVID pandemic, with employment levels returning to pre-pandemic levels and real economic growth projected to return to stable levels of between 2% and 3% per annum from 2022-23 onwards.

The 2021 Intergenerational Report (Australian Treasury, 2021) notes that a series of factors are expected to contribute to slower economic growth over the long term, however, including an ageing population, declining workforce participation and slower population growth. The Report notes that productivity growth is the primary counter-measure which will require businesses to take advantage of innovation and technology, alongside labour force participation growth. Productivity growth across the overall services sector (which comprises more than half of all employment) has been relatively slow, pointing to the need for businesses to capitalise on new technologies with policy support from government. The Report highlights the importance of business creation and support for innovation and experimentation.

STRUCTURAL ECONOMIC SHIFTS

Melbourne's economy has experienced structural change over the past generation, transitioning from a primarily industrial economy to one based around services, especially knowledge based services. Port Phillip has transitioned in parallel, with former industrial land gradually being converted for use for professional services and creative industries.

This change is ongoing, with long term employment projections for inner Melbourne (which informed Plan Melbourne) anticipating particularly strong growth in business services and community services. This is partly in response to the strong population growth occurring in inner areas, as well as continuing agglomeration of service businesses in central Melbourne and immediate surrounds.

THE OFFICE-SECTOR & HYBRID WORKING ARRANGEMENTS

Melbourne's office market is recovering from the effects of the COVID pandemic⁵. Over the period 2013 to 2020, CBD office vacancies progressively decreased prior to the pandemic, driving the delivery of more than 700,000sqm of gross new office floorspace in the CBD alone from 2015 to 2020 (including Docklands).

Over the latter part of this period, the City Fringe has become a legitimate alternative office location to the CBD for many business types and sizes. Significant investment in the inner suburban market, plus strong rental growth demonstrates this changing landscape. The new generation of worker, surrounding amenity and adoption of non-conventional buildings has contributed to this long term growth in demand for City Fringe areas.

⁵ Commentary in this sub-section based Urban Enterprise experience and property market commentary reports including: St Kilda Road and Southbank Office Market Report, Knight Frank, April 2021, Melbourne Metro Office Q4 2021, Cushman and Wakefield; Melbourne CBD Office Market Report, Knight Frank, September 2021; Melbourne Fringe Office Market, Knight Frank, September 2019.

The strong increase in rents and new office development in the inner east suburbs such as Richmond, Cremorne and Collingwood has also occurred in South Melbourne, a place with similar attributes such as former industrial buildings, heritage values and a strong local hospitality offering. This is in relatively stark contrast to the traditional office location of St Kilda Road, which experienced a net reduction in office space of 48,000sqm from 2016 to 2021.

Demand for space is changing, with many businesses adjusting long term strategies including the adoption of coworking spaces, flexible workspaces and investment in technology for remote working. A 'flight to quality' has also been observed, whereby demand is stronger for prime office space and weaker for secondary quality space.

Overall, demand projections for the office market are strong despite the disruptions caused by the pandemic. Post-pandemic changes to working and travel patterns create the likelihood of more hours being worked from home, however modelling prepared by Infrastructure Victoria⁶ estimates that inner Melbourne will actually experience an increase in overall employment, although the number of hours actually worked in the workplace is expected to decrease.

RETAIL SECTOR CHALLENGES & ACTIVITY CENTRE IMPLICATIONS

Retail spending growth has slowed over the past 10 years, driven primarily by stagnant wage growth and depressed consumer sentiment. Online retail continues to increase market share (especially for overseas retailers such as Amazon) and the breadth of retail types impacted is also growing (now impacting groceries, for example). This has caused a substantial threat to many traditional retail sectors, such as clothing, books, banking and department stores.

The COVID pandemic accelerated online retail user growth and sales, with e-commerce experiencing five years of growth in less than 12 months during the pandemic. This has been countered to some extent by a cultural shift towards regionalisation and 'shop local' campaigns which have seen consumers access goods closer to their home and spend on higher quality products that are sourced locally.

Strong growth in digital retailing and online purchases is expected to continue. In response to this disruption, bricks and mortar stores are investing in facilities and services that improve consumer engagement and the in-store 'experience'. This includes a greater focus on hospitality, entertainment and meeting places co-located with retailers.

Retail centres and strips are increasingly adopting a 'place-based' approach to expand the role of strips to include civic and recreational destinations for communities and to create visitor experiences which cannot be replicated online. There has also been a greater focus on growing and promoting the night-time economy across inner metropolitan activity centre to encourage safe, activated, vibrant and engaging centres that deliver economic and social benefits. The night-time economy services residents, workers, non-local visitors and tourists for dining, entertainment, retail and other leisure-based night-time activities and experiences.

CENTRAL CITY EXPANSION, URBAN RENEWAL AND MAJOR INVESTMENT

Recent and proposed rezoning of precincts around the CBD, primarily Fishermans Bend and Arden, is creating a broad expansion of the Melbourne central city footprint and substantial development opportunities in former industrial areas with relatively large sites.

The Arden precinct is planned to accommodate a new public hospital and attract businesses and institutions in research, medical and related fields due to the proximity to the Parkville NEIC. This will compete for investment and business growth with Port Phillip.

Fishermans Bend – especially the Montague Precinct – is adjacent to the Study Area and will accommodate substantial residential and commercial development, supported by proposed tram routes and potential train line extensions⁷.

⁶ The post-pandemic commute: technical report, Infrastructure Victoria, November 2021, p.28.

⁷ Fishermans Bend Framework, Victoria State Government, October 2018.

Although South Melbourne is not currently serviced by fixed rail, construction of the Melbourne Metro project is well underway, with a new metro station to be opened in 2025 at ANZAC in the adjacent St Kilda Road precinct. The station will provide access to passenger rail within walking distance of the south-eastern section of the study area. The Melbourne Metro Business Case⁸ identifies the following relevant implications for the ANZAC Station precinct:

- Agglomeration benefits are expected to occur in St Kilda Road and South Melbourne. Industries that benefit most from Melbourne Metro will be Professional, Scientific and Technical services and Health Care and Social Assistance.
- By removing barriers associated with commuting capacity, Melbourne Metro provides employers with access to workers and residents in suburban areas with access to these jobs, resulting in economic benefits of labour market 'deepening'. This enables Victorians to move to the jobs in central Melbourne, taking higher wages and higher productivity jobs.
- ANZAC Station will serve as a gateway to the south of the city and will provide access to 33,000 jobs and 17,000 residents (within 800 metres of the station). The station will function as a destination for workers travelling to jobs along St Kilda Road. It will be used by almost 40,000 people each day in 2031, making it about as busy as Flagstaff Station is today.
- St Kilda Road is an important employment precinct, and the new station will serve as a gateway to the tram network with connections to the Alfred Medical precinct and through South Melbourne and Southbank. The new station will reduce travel times from many parts of Victoria and provide a substantial increase in public transport travel to the precinct. The project will result in 814,000 more people within 30 minutes of public transport travel time of the ANZAC station precinct.

The planned Park Street Tram Link (along Park Street between Moray Street and Kings Way) will improve public transport access between ANZAC Station / St Kilda Road and the Study Area.

Further north, the Victorian Government has announced a major redevelopment of the Arts Precinct. After Southbank, South Melbourne is the closest employment area to the precinct and can provide proximity benefits to relevant business types.

SPATIAL IMPLICATIONS

The spatial implications of these trends are summarised as follows:

- Long term productivity growth will rely to a great extent on innovation and experimentation by smaller businesses, highlighting the importance of locations, precincts and business premises which are affordable and attractive to small and start-up businesses.
- Accommodating growth in knowledge-based service businesses and employment will be important to Melbourne's economic performance, particularly in inner urban areas and the expanding central city where agglomeration benefits can be realised and additional transport capacity from Melbourne Metro will be available.
- Activity centres and commercial strips historically reliant on traditional retail trade will require a greater diversification of land uses to remain competitive.
- Locations with high worker amenity will continue to attract office space demand despite expected changes to working and travel patterns.

⁸ Melbourne Metro Business Case, February 2016, Victorian Government. Appendix 5: Public Transport Demand Forecasts; Appendix 6: Economic Evaluation.

3. EXISTING SITUATION

3.1. INTRODUCTION

This section provides an analysis of the existing situation in terms of location characteristics, land use role and mix, built form attributes and demographics.

3.2. KEY POINTS

- The study area performs several economic roles, primarily as an office-precinct but also as a convenience and specialised retail precinct with a strong focus on food and hospitality.
- The study area is adjacent to inner Melbourne's most significant residential, office and cultural precincts in terms of built form scale, floorspace provision, anchor tenants, residents, workers and visitors. Precincts such as Southbank, St Kilda Road and Docklands include building heights and employment densities that closely reflect the CBD.
- The study area offers inherently different built form characteristics to most other CBD fringe areas. The combination of lower scale, medium density, mixed use, high amenity and heritage buildings creates a highly attractive and differentiated city fringe business location.
- There is a genuine mix of uses across South Melbourne, with office, retail, residential and some industrial and large-format commercial uses all evident throughout the study area.
- Many offices and retail/showroom uses have established in re-purposed industrial premises, particularly in the C2Z in the north and east section of the study area, as well as the IN1Z area in the northwest. These areas are assessed more closely in the following sections of this report.
- There are a limited number of commercially zoned sites that are of substantial size such that they would be immediately attractive to a developer for larger projects. As a result, consolidation of sites would be required to achieve substantial change in many parts of the study area.
- The South Melbourne community is generally relatively affluent, although the presence of public housing within the study area results in relatively polarised levels of resident advantage and disadvantage.
- The study area is located in a part of Melbourne where residents are generally well educated and skilled in knowledge sectors, making it a particularly attractive location for businesses seeking professional staff.
- Strong population growth is projected for many areas adjacent to the study area, however more limited growth is projected for South Melbourne itself.

3.3. LOCATION

The Study Area is less than 1km from the Melbourne CBD (at the closest point) and is almost surrounded by major city fringe precincts of Southbank, St Kilda Road and Fishermans Bend (see Figure 11).

The study area is well serviced by road, tram and active transport routes. Although the area is not directly serviced by fixed rail, a new station at ANZAC (in the adjacent St Kilda Road precinct) will provide access to passenger rail within walking distance of the south-eastern section of the study area.

F11. LOCATION CONTEXT, SOUTH MELBOURNE



Source: Urban Enterprise, 2021.

A brief summary of the land use visions for each of the major precincts adjacent to the study area is provided below.

FISHERMANS BEND

The Fishermans Bend precinct was rezoned to the Capital City Zone (CCZ) in 2012, making it an extension of the planning zone that applies to the CBD.

As per the Framework Plan (2021), the 2050 vision for the Fishermans Bend is to transform into a series of vibrant, mixed use, medium and high density neighbourhoods, with aspirations to ultimately accommodate 80,000 residents and 80,000 jobs across campus style office facilities, creative industries, innovation hubs and traditional high street retail and hospitality strips.

The study area abuts the Montague Precinct of Fishermans Bend in the north-western corner. The vision for Montague precinct is to create:

“A diverse and well-connected mixed use precinct celebrating its significant cultural and built heritage, and network of gritty streets and laneways” (p. 20).

In terms of economic and employment uses, the Framework Plan envisions that the Montague precinct will include co-working spaces, small creative businesses and studios in adapted and re-used heritage buildings. The Ferrars Street Education and Community Precinct will support a range of community and educational activities.

It is noted that parts of the Montague Precinct have similar characteristics to parts of the study area.

ST KILDA ROAD PRECINCT

The northern part of the St Kilda Road precinct adjoins the southeast boundary of the study area. The Precinct is a premium medium to high density office location that primarily supports professional services in a CBD fringe environment. The precinct also includes high density residential apartments, with active ground floor uses fronting the St Kilda Road boulevard. The built-form character and density is comparable to the CBD, with building heights reaching 80 metres in some areas.

SOUTHBANK

Southbank adjoins the study area on the northern boundary and is a mixed residential, employment, cultural and arts precinct.

Within Southbank adjacent to the study area is the Melbourne Arts Precinct, which includes major arts and cultural institutions such as the National Gallery of Victoria (NGV), Australian Centre for Contemporary Art (ACCA), Melbourne Theatre Company (MTC) and Victorian College of the Arts (VCA). This precinct is the subject of a recent government masterplan (Melbourne Arts Precinct Transformation Masterplan, Development Victoria, 2021) setting out major investments including a new contemporary art gallery, upgrades to existing performing arts and other spaces and improvements to the public realm and pedestrian infrastructure.

3.4. LAND USE ROLE AND FUNCTION

The study area is a mixed use precinct that performs four core land use roles:

1. Commercial office;
2. Retail and hospitality;
3. Industrial and large-format commercial; and
4. Residential.

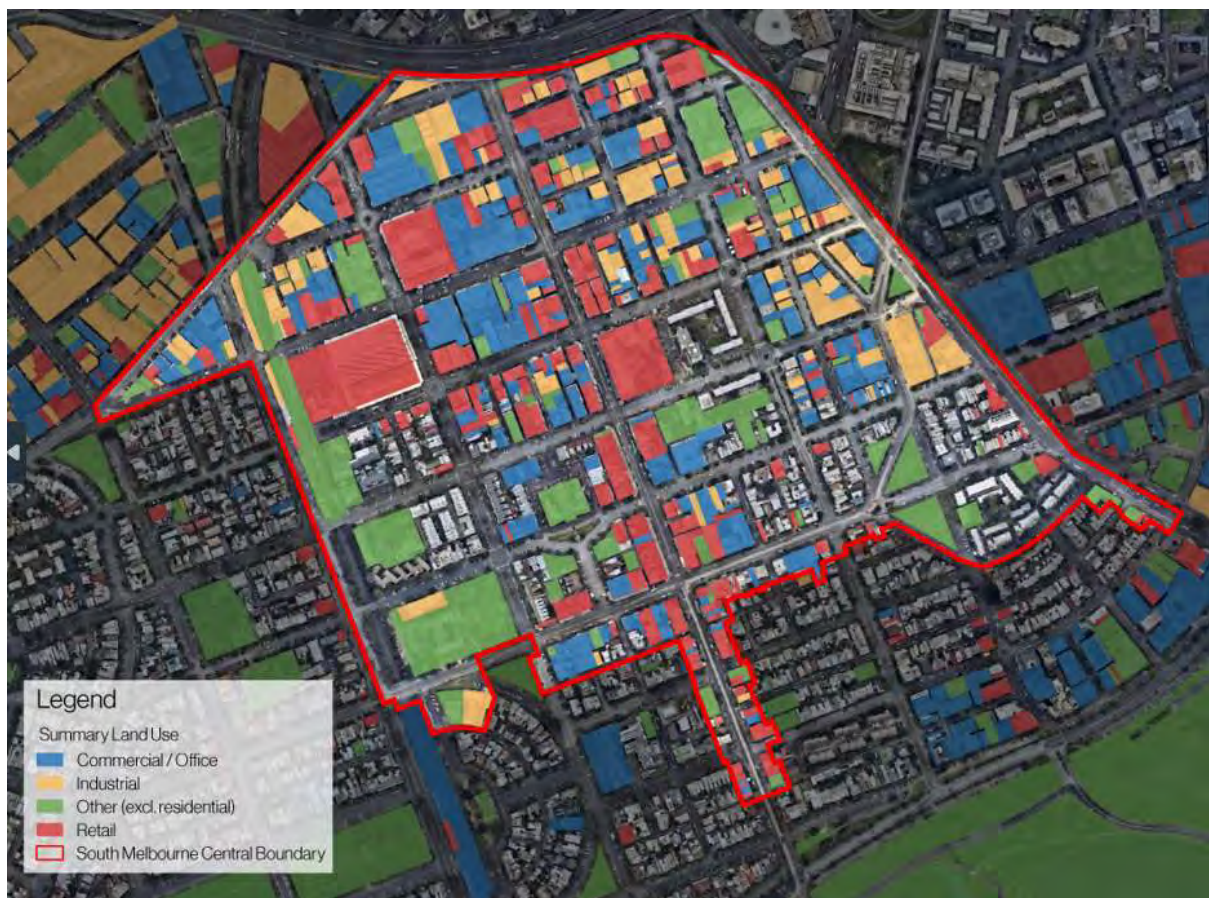
The primary economic role of the study area is as an **office** precinct with substantial commercial floorspace, and a high proportion of employment in office-based industries such as creative, professional and financial services. Office uses are located in both the Major Activity Centre and the Enterprise Precinct, with a particular concentration in the north-western section of the study area between Clarendon Street and the South Melbourne Market.

Retail uses are mostly located in the Commercial 1 Zone (Major Activity Centre), with a range of larger format and showroom retail uses also located in the Commercial 2 Zone (Enterprise Precinct). The retail offering serves a mix of residents, workers and tourists. The retail role of the precinct is diverse, with convenience retail, hospitality, personal services, wholesale retail, fresh food and produce (e.g., South Melbourne Market), as well as specialised retailers in fields such as hospitality supplies and home and office appliances and interior design.

Residential areas are concentrated to the southern and central parts of the study area. Separate houses and townhouses are located in the Neighbourhood Residential Zone, and low and medium rise units/apartments are located in the Residential Growth Zone and Commercial 1 Zone. Public and social housing occupies parts of the study area; notably high-rise towers located between Ferrars Street and Cecil Street, and on Moray Street between Dorcas and Coventry Streets.

The spatial distribution of the study area's core land uses is shown in Figure 12. Economic and employment uses are analysed further in Section 4.

F12. SPATIAL LAND USE SUMMARY



Source: Urban Enterprise. Land use determined by property rating valuation. Some developments have been completed since land use data was provided. Other (excl. residential) includes non-private housing.

3.5. LAND USE AND FLOORSPACE

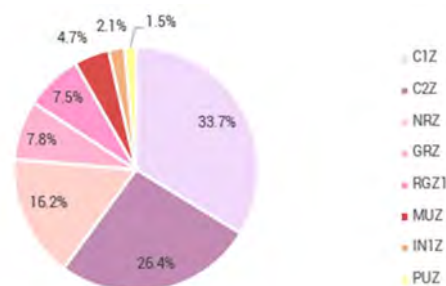
3.5.1. LAND AREA BY ZONE

Zones that accommodate employment uses apply to two-thirds of the study area (67%). Zones with the greatest area are Commercial 1 Zone (34%) and Commercial 2 Zone (26%). The Industrial 1 Zone (2%) and Mixed Use (5%) are considerably less prominent.

T3. LAND AREA BY ZONE

Zone	Total Area (ha)	% of total
C1Z	13.88	34%
C2Z	10.85	26%
IN1Z	0.86	2%
MUZ	1.92	5%
Sub-total	27.51	67%
PUZ	0.63	1.5%
NRZ	6.69	16%
GRZ	3.23	8%
RGZ	3.10	7.5%
Total	41.15	100%

F13. TOTAL LAND AREA BY ZONE



Source: City of Port Phillip Property Database; Urban Enterprise; 2021. Data is the sum of individual properties (excludes roads).

3.5.2. FLOORSPACE

Table 4 summarises the land use mix by zone and floorspace in the study area based on the land use categorisations in Council's rates database.

Key observations include the following:

- The study area accommodates 330,000 sqm of employment floorspace in employment zones.
- 54% of employment floorspace in the study area is classified as commercial/office.
- Retail uses account for approximately 26% of employment floorspace and are mostly located in the C1Z.
- The C2Z accommodates 41,300 sqm of floorspace categorised as 'industrial'.
- The IN1Z land is primarily occupied by uses categorised as commercial / office.

T4. FLOORSPACE BY MAJOR LAND USE CATEGORY, STUDY AREA

Land Use	Major Activity Centre				Balance					Total	% of total
	C1Z	C2Z	MUZ	Total	C1Z	C2Z	MUZ	IN1Z	Total		
Retail	63,000	0	1,000	64,000	7,500	10,400	1,800	900	20,600	84,600	26%
Commercial	69,000	14,000	3,000	86,000	4,900	64,600	14,300	7,500	91,300	177,300	54%
Industrial	5,000	3,000	0	8,000	1,700	38,300	2,700	2,600	45,300	53,300	16%
Institutional	3,000	0	0	3,000	600	0	0	300	900	3,900	1%
Other	4,000	0	0	4,000	0	6,400	500	0	6,900	10,900	3%
Total	144,000	17,000	4,000	165,000	14,700	119,700	19,300	11,300	165,000	330,000	100%

Source: City of Port Phillip Rates Database 2020; Urban Enterprise. Results rounded. Other includes leisure, recreation, civic.

The data shown in this section is based on Council data from 2020, the most recent data available at the time of preparation of the background report for this study. Development has continued to occur since – recent development activity is profiled in Section 5.

3.5.3. SIZE OF COMMERCIAL TENANCIES

Table 5 shows the distribution of tenancy sizes by zone for retail and commercial/office uses based on Council's property database to provide an indication of the general profile of tenancy sizes across the study area in 2020.

Retail tenancies in the study area are typically small, with the majority less than 200 sqm. Some larger retailers are present, such as 2 major supermarkets and some larger format retailers in the Commercial 2 Zone, however the most common retail size is between 100sqm and 200sqm.

Office tenancies are also relatively small, with the most common building area between 100-200 sqm, but overall offices generally have larger floorplates compared with retail tenancies.

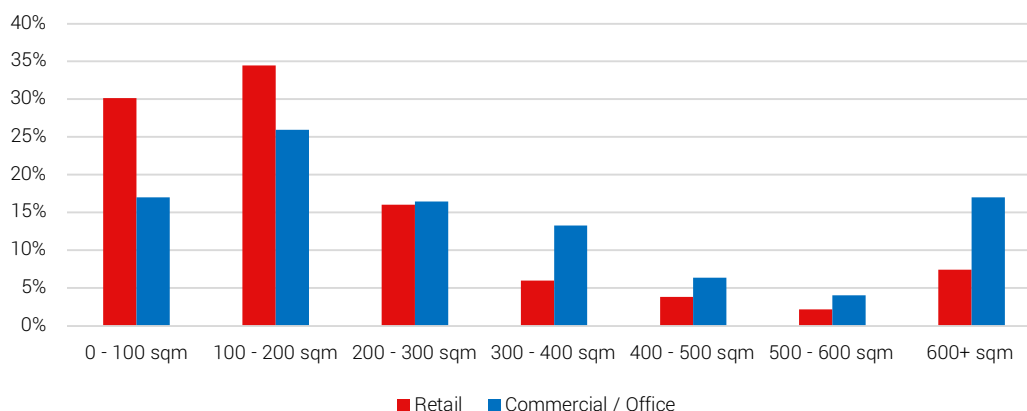
Figure 14 shows the relative sizes of tenancies. It is noted that several properties in residential zones are categorised as retail or office space, an indication that business activity is not only confined to employment zones.

T5. NUMBER OF TENANCIES BY ZONE AND FLOORSPACE SIZE CATEGORY

Area range	Zone									Total no. of tenancies
	C1Z	C2Z	GRZ	IN1Z	MUZ	NRZ	PPRZ	PUZ	RGZ	
Retail										
0 - 100 sqm	106	9	0	0	4	2	0	0	0	121
100 - 200 sqm	103	10	2	0	5	3	0	0	0	123
200 - 300 sqm	38	4	0	0	2	3	0	0	0	47
300 - 400 sqm	16	3	0	0	0	0	0	0	0	19
400 - 500 sqm	6	4	0	0	0	0	0	0	0	10
500 - 600 sqm	4	1	0	0	0	0	0	0	0	5
600+ sqm	12	4	0	1	2	1	0	0	0	20
Total	285	35	2	1	13	9	0	0	0	345
Commercial / Office										
0 - 100 sqm	20	38	0	0	2	4	0	0	0	64
100 - 200 sqm	39	61	2	1	2	3	0	0	0	108
200 - 300 sqm	31	41	0	3	0	1	0	0	0	76
300 - 400 sqm	21	15	0	2	13	0	0	0	0	51
400 - 500 sqm	13	9	0	1	2	0	0	2	0	27
500 - 600 sqm	6	9	0	3	0	0	0	0	0	18
600+ sqm	27	29	0	4	4	3	0	0	0	67
Total	157	202	2	14	23	11	0	2	0	411

Source: Port Phillip Rates Database 2020, analysed by Urban Enterprise.

F14. SIZE OF FLOORPLATES (SQM), RETAIL & COMMERCIAL/OFFICE PREMISES



Source: Port Phillip Rates Database 2020, analysed by Urban Enterprise.

3.6. BUILDING HEIGHTS & LOT SIZES

BUILDING HEIGHTS

Figure 15 shows the building height controls which apply across the study area and in adjacent areas of Fishermans Bend (Montague) and the St Kilda Road precinct.

Height controls in South Melbourne generally range between 2 and 6 storeys, with the exception of some sites in the Mixed Use Zone (MUZ) along Kings Way with controls of up to 15 storeys. Large sections of the study area have controls which result in a low rise built form of 4 storeys or less, especially across the NRZ, GRZ and IN1Z, along with parts of the C2Z and many well as properties fronting Clarendon Street in the C1Z.

There is a stark difference between the current building heights in most of the study area and that of neighbouring precincts, especially Southbank, Kings Way and St Kilda Road. This is clearly apparent as part of views from within the study area - in several directions, there is a predominant 'backdrop' of high rise buildings.

F15. BUILDING HEIGHTS, STUDY AREA



Source: Urban Enterprise.

LOT SIZES

The study area contains a range of lot sizes as shown in Figure 16. Substantial sections of the study area have smaller lot sizes of less than 1,000sqm. Despite the former industrial land use in the northeast and northwest of the study area, lot sizes in many parts of these areas are low, albeit interspersed with larger remaining industrial lots generally between 1,000sqm and 5,000sqm.

Many of the largest lots shown in Figure 16 are not available for private development, either because of their current ownership and use (e.g., South Melbourne Market and public housing sites) or because the sites were recently consolidated and developed for multi-storey buildings.

Overall, it is apparent that there are limited commercially zoned sites that are of substantial size such that they would be immediately attractive to a developer for larger projects. As a result, site consolidation is required to achieve substantial change in many parts of the area.

It is also relevant that the smaller lot sizes in many parts of the study area contribute to the fine grain character of the area where there is a high concentration of smaller businesses, building entrances, retailers and street level activity. This is likely to have influenced, at least to some extent, the attractiveness of the study area to smaller businesses, a characteristic that is assessed further later in this report.

F16. LOT SIZES, SOUTH MELBOURNE



Source: Urban Enterprise, based on Council Rates Database.

3.7. RESIDENTS, JOBS AND EMPLOYMENT DENSITIES

In 2021, 2,756 residents were living in the Study Area (Usual Resident Population of Mesh Blocks within Study Area). As a comparison, the suburb of South Melbourne had a population of 11,548 residents in 2021, indicating that only 24% of the suburb’s population at that time resided in the study area.

This residential population of the Study Area is considerably lower than the worker population, which in 2021 is estimated at approximately 14,000 workers employees.⁹

The average employment density in 2021 equates to 176 jobs per gross hectare of land. Employment densities were highest in the north central and north-eastern parts of the study area (Destination Zones 2 and 3 in Figure 17). In particular, the section between Clarendon Street and the South Melbourne Market had a high job density of 391 jobs per gross hectare.

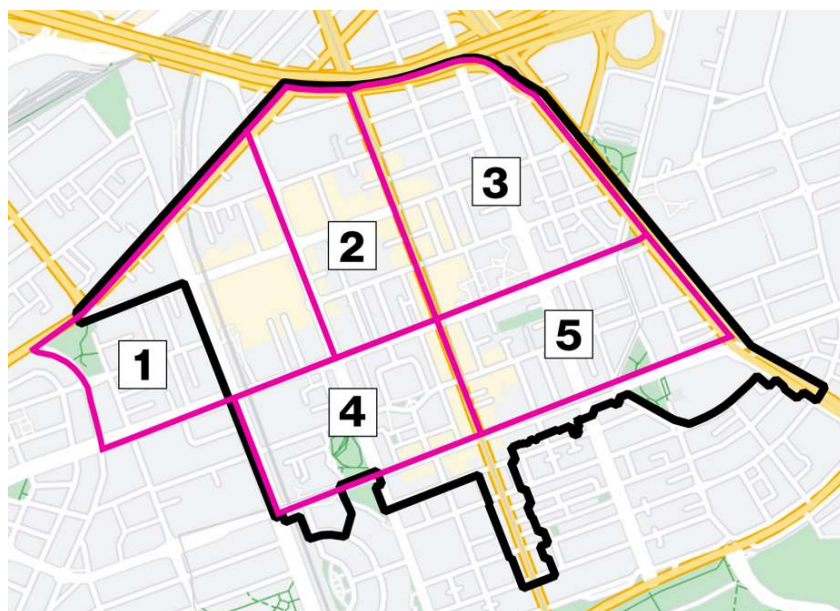
It is noted that the number of jobs located in the study area based on Census information is a relatively blunt measure, given that the number of workers physically present will depend on the hours worked, which in recent years has been influenced by changing work preferences and the increasing prevalence of hybrid working arrangements for office-based workers.

T6. EMPLOYMENT DENSITY BY DESTINATION ZONE, 2021

Destination Zone ID (Refer to Figure 17)	Land Area (ha)	Number of Jobs	Jobs per ha
1	20.2	2,112	105
2	12.8	5,006	391
3	20.5	5,183	253
4	12.2	614	50
5	14.0	1,108	79
Total	79.7	14,023	176

Source: ABS Census of Population and Housing, 2021, adjusted to account for Census undercount.

F17. LOCATION OF DESTINATION ZONES CORRESPONDING TO STUDY AREA



Source: Urban Enterprise.

⁹ Measure is based on Destination Zones which correspond broadly with the study area as shown in Figure 17, noting that southernmost frontage to Clarendon Street and southside of Park Street are not included because the respective Destinations Zones extend well beyond the study area to capture a range of other areas and employment types. Destination zones (DZNs) are the spatial unit used to code Place of Work (POWP) for Census data and are an aggregation of Mesh Blocks.

3.8. DEMOGRAPHIC & LABOUR FORCE PROFILE

The demographic and labour force characteristics of the area surrounding the study area is an important factor influencing the nature of business, retail and activity needs and opportunities within the study area itself. This section briefly considers relevant characteristics of South Melbourne and Port Phillip residents overall.

The demographic profile of South Melbourne is comparable to that of the overall Port Phillip community. The following observations are most relevant to this study:

- The household composition in South Melbourne is weighted towards single and adult couple households with a young to middle aged profile (25-50 years) predominating.
- Only 16% of South Melbourne households are couples with children; a much lower proportion compared with Greater Melbourne (33%).
- Port Phillip and South Melbourne generally accommodate an affluent resident population, with higher household incomes, a higher proportion of skilled and professional workers and lower unemployment. In South Melbourne itself, however, SEIFA results in 2021 indicate that a broader measure of 'advantage' for the suburb (index 1029) is only marginally higher than Melbourne overall (1018) – this points to the relatively polarised communities in South Melbourne where a high incidence of public housing contrasts with high value dwellings which dominate the private housing market.

It is noted that the South Melbourne neighbourhood area includes the Montague Precinct and the easternmost section of the Sandridge Precinct of Fishermans Bend. The Montague Precinct is transitioning from a former industrial area to a mixed use precinct with 470 residents living in the precinct in 2021. Relative to the balance of South Melbourne, this area is characterised by smaller household sizes, a predominance of lone person households and high proportions of residents aged between 25 and 34 years (ABS Census).

T7. DEMOGRAPHIC SNAPSHOT, 2021

Area	SEIFA ¹	Ave household size	Weekly household income (median)	Household Type (% of households)		
				Couples with Children	Couples without Children	Lone Person
South Melbourne Neighbourhood	1029	1.92	\$2,269	16%	25%	39%
City of Port Phillip	1061	1.88	\$2,201	15%	25%	41%
Greater Melbourne	1018	2.58	\$1,866	33%	24%	24%

Source: ABS Census of Population and Housing, Profile Id, 2021. 1. The national average index score is 1,000. Any higher score means a lower level of disadvantage (or higher level of advantage).

F18. AGE PROFILE BY SERVICE GROUPS, 2021



Source: ABS Census of Population and Housing, Profile Id, 2021.

3.8.1. EMPLOYMENT BY INDUSTRY & OCCUPATIONS

Employed residents in South Melbourne and Port Phillip are highly skilled and weighted towards professionals. The most common occupations held by South Melbourne residents are professionals (40%) and managers (23%) in professional, financial, technical and insurance service sectors.

The industry sector classifications relate to Level 1 of the Australia New Zealand Standard Industry Classification (ANZSIC) which aggregate several often diverse sub-sectors. For example, the 'Professional, Scientific and Technical Services' industry includes a collection of sub-sectors including architecture, engineering, legal, accounting, advertising, market research and management services.

F19. EMPLOYMENT BY INDUSTRY (TOP 10), 2021



Source: ABS Census of Population and Housing, Profile Id, 2021.

T8. OCCUPATIONS, 2021

Occupation	South Melbourne	Port Phillip	Greater Melbourne
Managers	23%	20%	14%
Professionals	40%	38%	27%
Technicians and Trades Workers	6%	8%	12%
Community and Personal Service Workers	7%	9%	10%
Clerical and Administrative Workers	12%	11%	13%
Sales Workers	6%	7%	8%
Machinery Operators and Drivers	1%	2%	6%
Labourers	3%	4%	8%

Source: ABS Census of Population and Housing, Profile Id, 2021

JOURNEY TO WORK

The City of Port Phillip has a job containment rate of 19%, with around 15,000 residents who both live and work in the municipality. Key observations relevant to journey to work include the following:

- There is a high level incidence of in-commuting from other parts of metropolitan Melbourne. More than 63,000 employed persons travel into Port Phillip for work.
- Port Phillip's workforce travels from most parts of the metropolitan area, but there is a high level of in-commuting from the eastern municipalities of Glen Eira, Stonnington, Bayside, Boroondara and Monash, as well as the City of Melbourne and the City of Yarra.
- Approximately 45,000 employed Port Phillip residents travel to jobs outside the municipality. Most of these travel to other inner metropolitan municipalities, including 34% to the City of Melbourne, 5% to Yarra and 5% to Stonnington.

T9. JOURNEY TO WORK (TOP 15 LGAs), PORT PHILLIP

LGA	In-commuting	%	LGA	Out-commuting	%
Port Phillip	15,121	19%	Melbourne	20,818	34%
Melbourne	5,035	6%	Port Phillip	15,121	25%
Glen Eira	4,886	6%	Stonnington	3,303	5%
Wyndham	3,864	5%	Yarra	3,166	5%
Stonnington	3,730	5%	No usual address (Vic.)	2,058	3%
Bayside (Vic.)	2,890	4%	Glen Eira	1,683	3%
Moreland	2,860	4%	Monash	1,645	3%
Boroondara	2,542	3%	Kingston (Vic.)	1,506	2%
Monash	2,389	3%	Boroondara	1,464	2%
Yarra	2,375	3%	Bayside (Vic.)	1,264	2%
Kingston (Vic.)	2,355	3%	Greater Dandenong	726	1%
Casey	1,945	2%	Hume	636	1%
Darebin	1,932	2%	Brimbank	628	1%
Brimbank	1,930	2%	Maribyrnong	610	1%
Maribyrnong	1,877	2%	Wyndham	598	1%
Total (including above and all other LGAs)	78,104		Total (including above and all other LGAs)	60,567	

Source: ABS Census of Population and Housing, Profile Id, 2021.

3.9. POPULATION AND GROWTH

In 2022, the estimated population of the suburb of the South Melbourne (small area) was 9,760 persons (Profile ID). The population of the area increased steadily at 2% per annum from 2017 to 2020, before declining during the COVID pandemic year of 2021.

The City of Port Phillip's population declined between 2017 and 2022, largely due to a substantial decrease in 2021 due to the COVID pandemic.

T10. ESTIMATED RESIDENT POPULATION, 2017 TO 2022

Estimated Resident Population	2017	2020	2022	Change	Change %	AAGR %
South Melbourne (small area)	9,612	10,211	9,780	+168	+2%	0.3%
City of Port Phillip (LGA)	109,488	110,480	103,836	-5,652	-5%	-1.1%

Source: Profile id. AAGR: Average Annual Growth Rate.

4. ECONOMY AND EMPLOYMENT

4.1. INTRODUCTION

This section provides an assessment of South Melbourne's economy and employment composition to identify areas of specialisation, growth sectors and drivers of change.

Data has been obtained from a range of sources, including the 2021 Census, the Australian Business Register and desktop sources. Business consultation also informs analysis later in the section.

4.2. KEY POINTS

- **The business and employment base in the study area is weighted towards professional services, creative industries and retail and hospitality businesses.**
- **The business mix is dominated by micro and small professional businesses with less than 20 staff, however recent development is creating larger floorplates and office premises.**
- **The local business base has increased in recent years, driven primarily by knowledge based sectors and hospitality.**
- **Advertising and computer system design are the sub-sectors of highest employment, together making up half of the professional services employment in the study area.**
- **South Melbourne is one of only 7 suburbs within 10km of the CBD with more than 15% of its workers employed in creative industries, indicating a particular specialisation in creative business types.**
- **South Melbourne had the highest concentration of motion picture and video production businesses of any suburb in Melbourne in 2018 – many of these businesses utilise former industrial spaces across the study area.**
- **There are synergies between various local economic specialisations, especially across radio broadcasting, advertising, marketing, video production, sound recording, post-production and video game design which underpin a highly specialised and well-established media cluster.**
- **The South Melbourne Market is a major retail destination which contributes to the amenity and vibrancy of the study area. Hospitality, professional and creative businesses are intensifying around the market.**
- **One section of land in the industrial zone remains – this area accommodates a range of business, creative and retail types, few of which would be described as industrial. Zones other than industrial could be considered for the precinct given its strategic location for commercial use.**

4.3. EMPLOYMENT BY INDUSTRY

Employment data for the study area has been compiled based on the five Destination Zones which most closely align with the study area as described earlier in section 3.7 – the industry breakdown in 2021 is shown in Table 11.

Employment in the study area is weighted towards professional services, retail and hospitality, as well as construction and health care.

T11. EMPLOYMENT BY INDUSTRY, SOUTH MELBOURNE (DZ), 2021

Industry	Employment	% of total
Professional, Scientific and Technical Services	3,331	24%
Retail Trade	2,246	16%
Construction	1,273	9%
Health Care and Social Assistance	979	7%
Accommodation and Food Services	975	7%
Information Media and Telecommunications	847	6%
Administrative and Support Services	814	6%
Other Services	586	4%
Financial and Insurance Services	507	4%
Rental, Hiring and Real Estate Services	505	4%
Public Administration and Safety	462	3%
Manufacturing	411	3%
Education and Training	336	2%
Wholesale Trade	301	2%
Arts and Recreation Services	237	2%
Transport, Postal and Warehousing	100	1%
Electricity, Gas, Water and Waste Services	88	1%
Agriculture, Forestry and Fishing	20	0%
Mining	4	0%
Total	14,022	100%

Source: Employment by industry, South Melbourne study area destination zones, ABS 2021, scaled to reflect Census undercount.

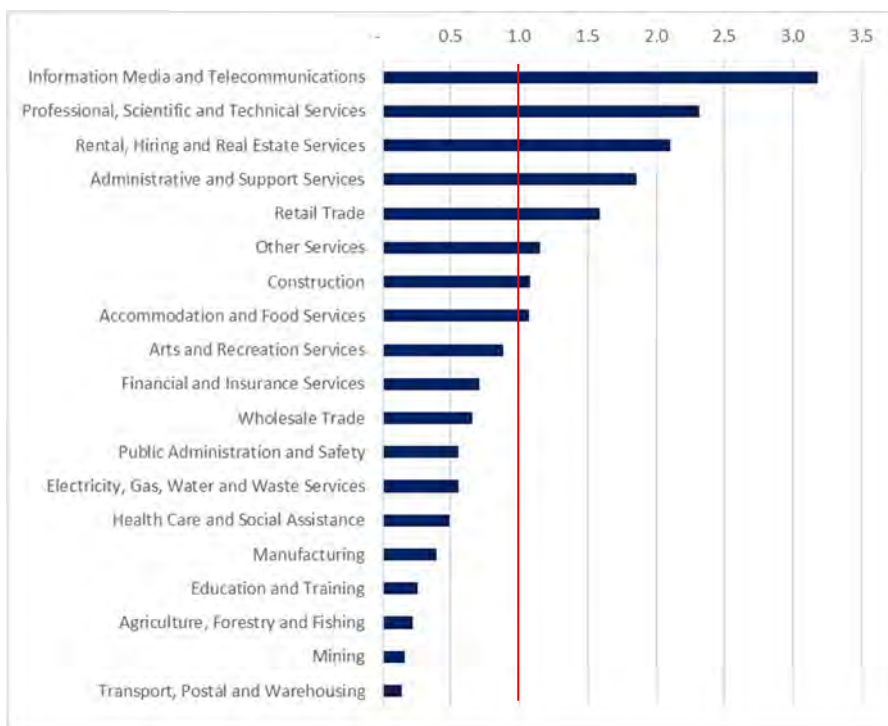
4.3.1. EMPLOYMENT SPECIALISATIONS

To understand employment specialisations in South Melbourne, relative employment comparisons can be made using the Location Quotient (LQ) technique.

The LQ method measures the proportion of employment in a particular industry relative to proportions in another region. The following LQ analysis compares South Melbourne with metropolitan Melbourne. An industry value less than 1 indicates a lower proportion of employment within that industry compared with metropolitan Melbourne and a value greater than 1 represents a higher proportion of employment – LQ results that are substantially higher than the benchmark area (especially if the LQ exceeds 2) generally indicate a competitive advantage in that industry sector compared with metropolitan Melbourne.

The LQ in Figure 20 shows that South Melbourne has particularly pronounced advantages in the sectors of Information Media and Telecommunications and Professional, Scientific and Technical Services.

F20. SOUTH MELBOURNE INDUSTRY LOCATION QUOTIENT WITH GREATER MELBOURNE, 2021



Source: ABS Census 2021.

EMPLOYMENT BY SUB-SECTOR

Table 12 shows sub-sector employment figures for 2021 for industries with a LQ of greater than 1.2 – the top five sub-sectors (ANZSIC Level 4) within each of these industries are shown in the Table.

Key observations are:

- The highest employing sub-sectors in the professional services industry were Advertising and Computer System Design Services. These activities accounted for 54% of professional services employment in South Melbourne, a very high proportion considering that other sub-sectors such as legal services and accounting comprise a far greater share of the overall industry across Melbourne.
- There were 403 jobs in radio broadcasting, motion picture and video production activities in South Melbourne, which account for 60% of jobs in information media and telecommunications.
- A range of other professional and business services are also prominent in the area, such as real estate, engineering, management consulting, architecture, cleaning and travel services.

- Several of the sub-sectors in high LQ sectors with substantial employment levels are involved in creative activities, including advertising, broadcasting, motion picture and video, software, computer system design and architecture. These sub-sectors span multiple industries and are not immediately evident through analysis of industry level data.

T12. SUB-SECTOR EMPLOYMENT, SPECIALISED INDUSTRIES, SOUTH MELBOURNE (DZ), 2021

Sub-sector (4 digit level)	Jobs	% of industry
<i>Retail Trade</i>		
Manchester and Other Textile Goods Retailing	414	24%
Supermarket and Grocery Stores	263	15%
Other Store-Based Retailing nec	159	9%
Department Stores	111	6%
Clothing Retailing	110	6%
<i>Information Media and Telecommunications</i>		
Radio Broadcasting	229	34%
Motion Picture and Video Production	88	13%
Post-production Services and Other Motion Picture and Video Activities	86	13%
Telecommunications Services, nfd	62	9%
Software Publishing	31	5%
<i>Rental, Hiring and Real Estate</i>		
Real Estate Services	299	76%
Non-Residential Property Operators	60	15%
Property Operators and Real Estate Services, nfd	15	4%
Residential Property Operators	11	3%
Passenger Car Rental and Hiring	3	1%
<i>Professional, Scientific and Technical Services</i>		
Advertising Services	854	33%
Computer System Design and Related Services	554	21%
Engineering Design and Engineering Consulting Services	215	8%
Management Advice and Related Consulting Services	214	8%
Architectural Services	193	7%
<i>Administrative and Support Services</i>		
Building and Other Industrial Cleaning Services	264	41%
Travel Agency and Tour Arrangement Services	204	32%
Labour Supply Services	63	10%
Other Administrative Services nec	59	9%
Employment Placement and Recruitment Services	30	5%

Source: Employment by industry, South Melbourne, ABS, 2021. % of industry column shows the proportion of jobs in the relevant industry (e.g. Retail Trade) that are within each sub-sector (top 5).

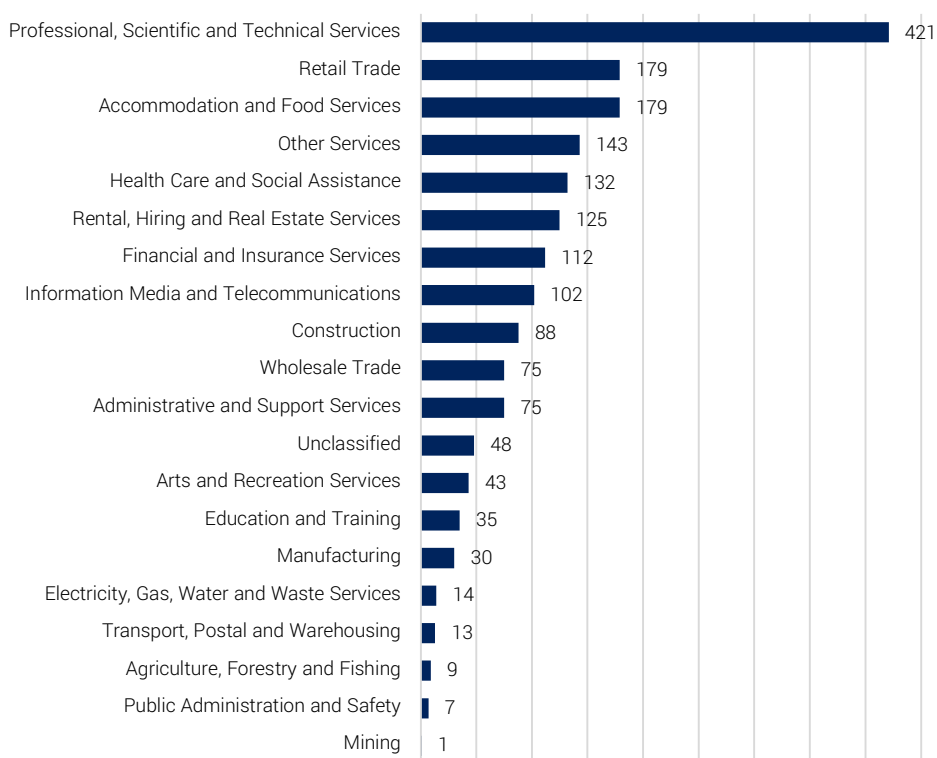
4.4. BUSINESS MIX

Business information for the study area has been sourced from a combination of the Australian Business Register (ABR) and Google business data. Each source has been analysed and verified where possible to arrive at a current estimate of the number and type of businesses in the study area. The resulting business list excludes home-based businesses and focuses on the zones primarily designed to accommodate businesses.

It is estimated that there are currently 1,831 businesses operating in the study area, including:

- 421 (23%) in the Professional, Scientific and Technical Services sector;
- 358 (20%) in the Retail Trade, and Accommodation and Food Services sector;
- 132 (7%) in the Health Care and Social Assistance sector;
- 112 (6%) in the Financial and Insurance Services sector; and
- 102 (6%) in the Information, Media and Telecommunications sector.

F21. BUSINESS BY INDUSTRY, STUDY AREA, 2021

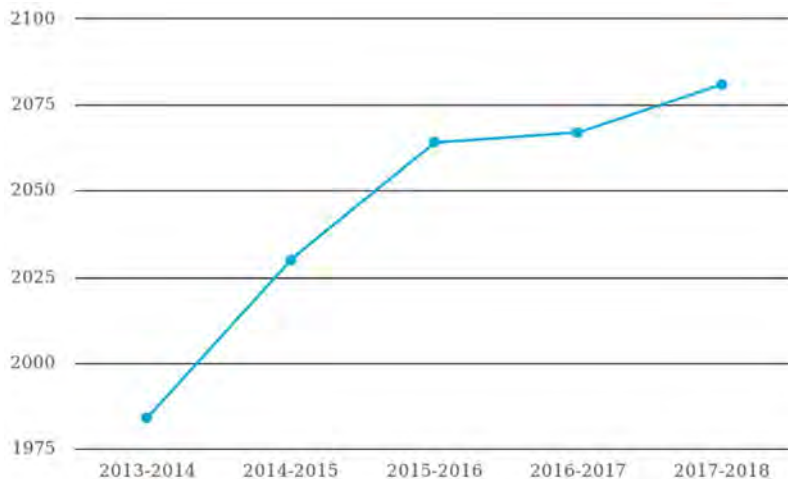


Source: Business database, South Melbourne, ABR / Google 2021, derived by Urban Enterprise 2021.

By comparison, WorkCover data published for the suburb of South Melbourne identified that in the 2017/18 financial year, 2,081 businesses were operating¹⁰. The suburb takes in a broader area including parts of the Montague precinct in Fishermans Bend and commercial properties along Albert Road.

The WorkCover data is summarised in Figure 22, showing that the business base has been increasing over time, and corroborating the preceding analysis which indicates that the major industry is professional services.

F22. WORKCOVER BUSINESS DATA FOR SOUTH MELBOURNE SUBURB



Source: Workcover, 2018.

¹⁰ Source: Worksafe Victoria 2018.

BUSINESS LOCATIONS

The locations of businesses have been assessed to determine the planning zones within which certain industry sectors are generally located. The following key observations are made:

- Most businesses (89%) are located in either the C1Z or C2Z, with 820 and 810 businesses respectively.
- Businesses that predominantly operate in office or studio premises such as professional, scientific and technical services, financial and insurance services, administrative and support services, and rental, hiring and real estate services are mostly located in the C2Z.
- The C1Z also accommodates a notable proportion of businesses in these sectors, which is likely a reflection of the small business base that occupy ground floor shopfront or shop-top premises in the South Melbourne Major Activity Centre.
- Population-service industries such as retail trade, accommodation and food services, and health care and social assistance are mostly concentrated to the C1Z and C2Z.

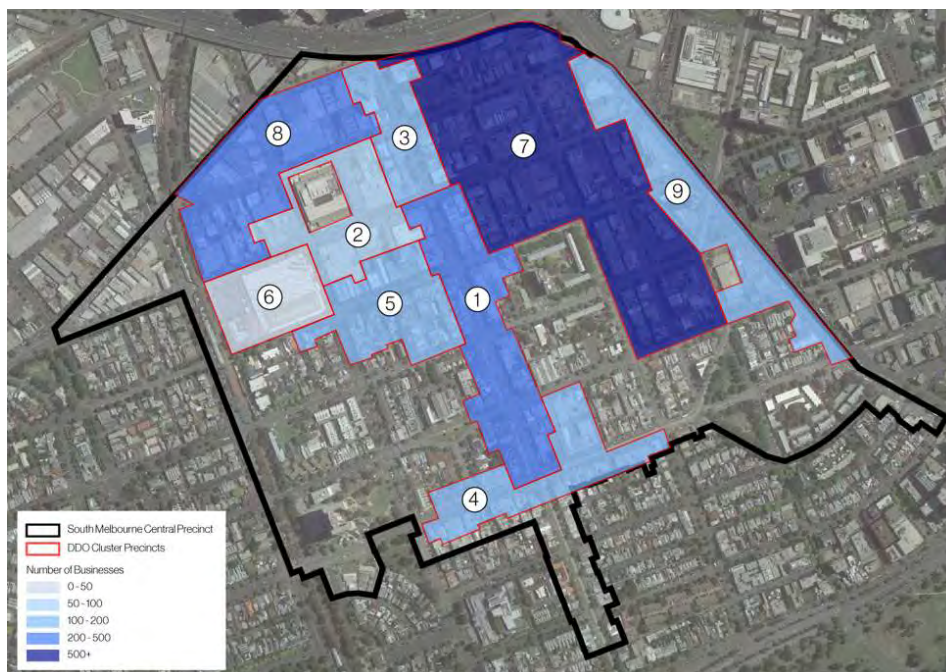
T13. BUSINESS BY INDUSTRY (BY ZONE), STUDY AREA

Industry	C1Z	C2Z	IN1Z	MUZ	PUZ
Professional, Scientific and Technical Services	147	210	12	49	3
Retail Trade*	100	67	8	4	0
Rental, Hiring and Real Estate Services	46	64	2	13	0
Other Services	66	63	0	11	3
Financial and Insurance Services	41	61	3	7	0
Information Media and Telecommunications	40	54	4	4	0
Accommodation and Food Services	115	48	7	9	0
Construction	32	46	4	6	0
Administrative and Support Services	25	39	3	8	0
Health Care and Social Assistance	91	31	1	8	1
Wholesale Trade	37	30	2	6	0
Arts and Recreation Services	18	21	0	3	1
Manufacturing	7	19	1	3	0
Unclassified	25	19	0	4	0
Education and Training	15	15	1	3	1
Electricity, Gas, Water and Waste Services	3	9	0	2	0
Transport, Postal and Warehousing	6	7	0	0	0
Public Administration and Safety	3	4	0	0	0
Agriculture, Forestry and Fishing	3	3	3	0	0
Mining	0	0	0	1	0
Total	820	810	51	141	9

Source: Business database, South Melbourne, ABR / Google 2021, derived by Urban Enterprise 2021. * South Melbourne Market Stalls not included. There are approximately 150 stalls operating at the Market.

Figure 23 and the accompanying Table 14 provide a spatial representation of where South Melbourne businesses are clustered in relation to the DD08 sub-precincts. Precinct 7 is the largest in terms of area and currently accommodates more than 500 businesses; the most of any DDO sub-precinct. The C2Z applies across most of this precinct.

F23. BUSINESS LOCATIONS, DD08 PRECINCTS



T14. BUSINESS LOCATIONS, DD08 PRECINCTS

Map ID	Precinct	DDO Schedule	Business count	Total
1	Clarendon Street Core Local Shopping Precinct	DD08-1	248	248
2	Emerging Activity Centre	DD08-2a	40	71
		DD08-2b	16	
		DD08-2c	15	
3	Northern Mixed Activity Edge	DD08-3	109	109
4	Southern Mixed Activity Edge	DD08-4a	20	134
		DD08-4b	114	
5	Coventry St Shopping Precinct	DD08-5a	123	181
		DD08-5b	58	
6	South Melbourne Market	DD08-6	*	*
7	Eastern Business Precinct	DD08-7a	335	525
		DD08-7b	164	
		DD08-7c	26	
8	Western Business Precinct	DD08-8a	82	231
		DD08-8b	91	
		DD08-8c	58	
9	Kings Way Mixed Use Corridor	DD08-9a	98	107
		DD08-9b	4	
		DD08-9c	5	
N/A		Not Stated	221	221
	Total		1,827	

Source: Business database, South Melbourne, ABR / Google 2021, derived by Urban Enterprise 2021.

* South Melbourne Market businesses and stalls not included – there are approximately 150 stalls operating at the Market.

BUSINESS BY EMPLOYMENT SIZE

Table 15 summarises business size in terms of number of employees for each industry within the South Melbourne SA2 in 2022 (noting that the SA2 is a larger spatial area than the study area and includes commercial areas to the south near Albert Road and to the east of Kings Way).

Key observations are as follows:

- Once non-employing businesses are discounted, the majority of businesses (90%) are classified as either 'micro' (62%) or 'small' (28%) businesses.
- Micro and small professional services businesses dominate the business profile, accounting for 29% of all businesses.
- Only 10% of businesses employ more than 20 staff, primarily in industries using office, retail and hospitality space.

T15. BUSINESS BY INDUSTRY (BY SIZE), SOUTH MELBOURNE SA2, 2022

Industry	1-4 (micro)	5-19 (small)	20-199 (medium)	200+ (large)	Total
Professional, Scientific and Technical Services	394	166	47	0	607
Retail Trade	100	53	11	0	164
Financial and Insurance Services	98	29	5	0	132
Accommodation and Food Services	85	80	26	3	191
Rental, Hiring and Real Estate Services	84	32	8	0	124
Construction	78	13	12	0	103
Health Care and Social Assistance	63	31	19	0	113
Other Services	62	21	3	0	86
Administrative and Support Services	60	34	18	3	112
Wholesale Trade	42	22	9	0	73
Information Media and Telecommunications	38	15	8	0	61
Manufacturing	21	8	7	0	36
Arts and Recreation Services	21	13	5	0	39
Education and Training	20	9	7	0	36
Transport, Postal and Warehousing	18	4	3	0	25
Agriculture, Forestry and Fishing	8	3	3	0	14
Mining	8	3	0	0	11
Public Administration and Safety	3	4	0	0	7
Currently Unknown	0	0	0	0	0
Electricity, Gas, Water and Waste Services	0	3	3	0	6
Total	1,203	543	194	6	1,940
%	62%	28%	10%	0%	100%

Source: Business counts by industry, South Melbourne SA2, ABS, 2022.

BUSINESS CHANGE

Between 2020 and 2022, the number of employing businesses in South Melbourne increased by 152, equating to 8% growth in the business base. The change in businesses was driven by professional services which comprised 45% of the business growth over the period.

There was a moderate increase in retail trade and health businesses over the period and a significant increase in businesses in the accommodation and food services sector.

F24. BUSINESS ENTRIES/EXITS, SOUTH MELBOURNE SA2, 2020 TO 2022



Source: Business counts by industry, South Melbourne SA2, ABS, 2020-2022.

4.5. VALUE-ADDED

Value added indicates the overall productivity of industry sectors in a given economy. It is a more refined measure compared with output (total gross revenue), as some industries generate a high level of output, but require substantial expenditure to achieve it. For example, certain retail types and hospitality businesses typically operate on lower margins but a higher volume of sales, meaning that productive value-add can be lower.

In South Melbourne, the most productive industries in terms of value-added are 'white collar' office-based sectors such as professional, financial and creative service industries, as highlighted in Table 16. Together with retail, these industries in South Melbourne add an estimated \$1.1bn to Port Phillip's economy, demonstrating the overall importance of these industries in terms of productivity and value-added to the local economy.

T16. VALUE-ADDED BY INDUSTRY SECTOR, SOUTH MELBOURNE, 2020/21

Industry	Jobs (study area)	Value added (\$m)	% of total
Professional, Scientific and Technical Services	3,331	\$410.9	24%
Administrative and Support Services	814	\$173.4	10%
Retail Trade	2,246	\$173.3	10%
Financial and Insurance Services	507	\$166.7	10%
Information Media and Telecommunications	847	\$148.5	9%
Rental, Hiring and Real Estate Services	505	\$125.5	7%
Construction	1,273	\$122.2	7%
Health Care and Social Assistance	979	\$79.3	5%
Public Administration and Safety	462	\$66.9	4%
Accommodation and Food Services	975	\$52.5	3%
Wholesale Trade	301	\$51.6	3%
Other Services	586	\$42.6	2%
Manufacturing	411	\$42.5	2%
Education and Training	336	\$26.7	2%
Electricity, Gas, Water and Waste Services	88	\$23.5	1%
Arts and Recreation Services	237	\$21.4	1%
Transport, Postal and Warehousing	100	\$14.3	1%
Agriculture, Forestry and Fishing	20	\$1.4	0%
Mining	4	\$0.6	0%
Total	14,022	\$1,743.8	100%

Source: Value-added by industry, City of Port Phillip, Economy id 2020 / Employment by industry, ABS, South Melbourne (DZ) 2021.

4.6. INDUSTRY SPECIALISATIONS

Based on the employment and business analysis, the following industries are identified as South Melbourne's most specialised and important industries:

1. **Creative industries** - activities that relate to media and communications, commercial and digital design, and the arts.
2. **Professional and financial services** – activities that relate to real estate and property services, engineering, management advice and consulting, insurance, legal, investment and accounting services, and administrative related services.
3. **Retail, hospitality and personal services** – activities that relate to the retailing of goods and services, hospitality and personal services such as fitness, recreation, health, wellbeing and beauty.

The above sectors were created by grouping sub-sector activities (ANZSIC category 4) to reflect the business and employment profile and mix within the study area. Details of sub-sectors that make up each specialisation is provided in **Appendix B**.

The following sections analyse these specialisations in terms of business and employment, locations and clustering across the study area.

4.6.1. CREATIVE INDUSTRIES

Victoria's Creative Strategy (Creative State, 2021) provides the following definition of creative industries:

"Creative industries are an evolving mix of sectors spanning arts, culture, screen, music, design and architecture, games development. They cover disciplines as diverse as game development and graphic design, fashion and filmmaking, performing arts and publishing, architecture and advertising, media and music, comedy and craft."

In South Melbourne, creative industries are prominent and span a wide variety of creative and professional activities that can be further separated into the following sub-categories:

- **Media and Communications** – media broadcasting, motion picture and video production, advertising, publishing, recording and postproduction services for motion picture and video.
- **Commercial and Digital Design** – commercial activities such as architecture, interior and fashion design (e.g., clothing, textiles, jewellery), as well as digital design activities such as graphic, signwriting and game design.
- **The Arts** – services relating to production, operation or education of visual arts, performing arts and fine arts.

Table 17 summarises the total number of businesses and jobs across these sub-categories. In total, there are approximately 2,350 jobs in creative industries in South Melbourne across at least 230 businesses. Employment in these sub-sectors accounts for 17% of all jobs in South Melbourne, highlighting the importance of activities to the role and function of the local economy.

There are evident synergies between various local economic and creative specialisations in South Melbourne, especially across radio broadcasting, advertising, marketing, video production, sound recording, post-production and video game design which underpin a highly specialised and well developed media cluster.

T17. CREATIVE INDUSTRIES, SOUTH MELBOURNE

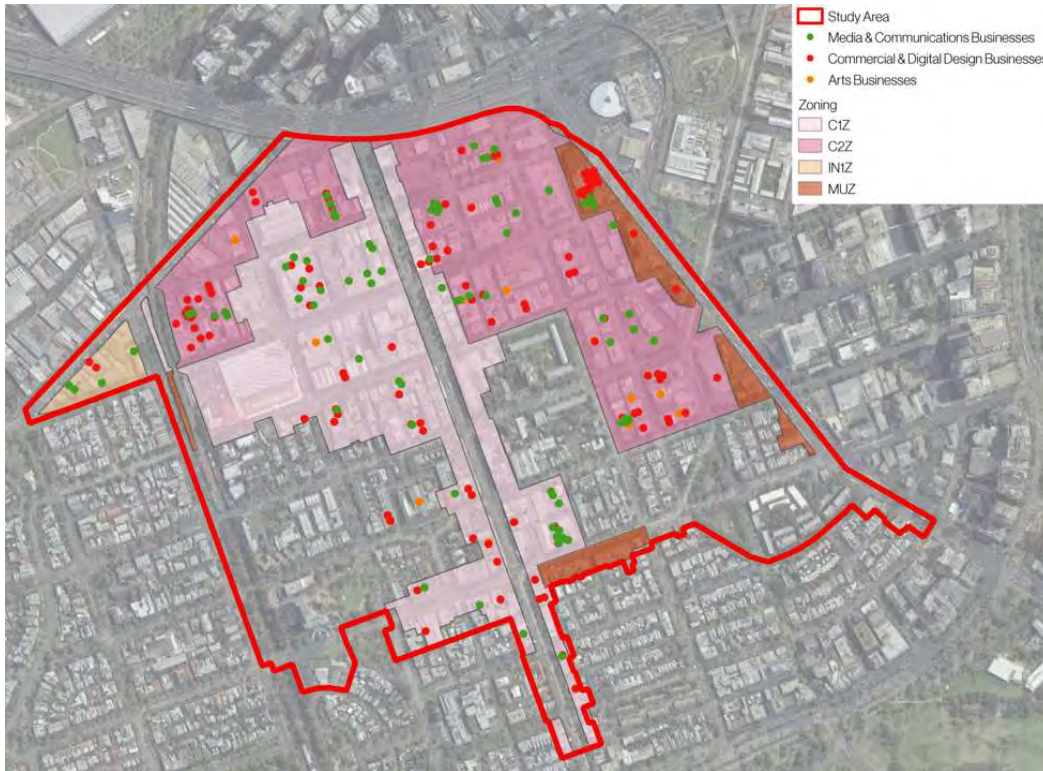
Sub-category	Creative Industry Businesses	South Melbourne Businesses	Creative Industry Jobs	South Melbourne Jobs
Media + Communications	88		1,369	
Commercial + Digital Design	124		868	
The Arts	21		114	
Total	233	1,831	2,351	14,020

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2021/ Business database, South Melbourne, ABR / Google 2021.

Creative industry businesses are prominent throughout the study area, with a cluster of businesses in the C2Z, C1Z, MUZ and even the IN1Z as shown in Figure 25.

Figure 26 shows images of creative businesses, many of which are office-based and undertake activities relating to advertising, design or music. Other creative businesses produce videos and record music (along with other activities) in former industrial premises that are better described as studios – these premises are distinctly different from the offices that are occupied by the majority of businesses which fall under the adopted definition of ‘creative’.

F25. BUSINESS LOCATIONS, CREATIVE INDUSTRIES, SOUTH MELBOURNE



Source: Urban Enterprise 2021, derived from business database, South Melbourne, ABR / Google 2021

F26. EXAMPLES OF CREATIVE INDUSTRY BUSINESS



Yamaha, Corporate Office



Baenziger Coles, Architecture



M&C Saatchi, Advertising

MEDIA + COMMUNICATIONS

Media and communications activities relate to broadcasting, motion picture and video production, advertising, publishing, recording and postproduction services for motion picture and video.

There are approximately 1,369 jobs across at least 88 businesses in the media and communications industry. The majority of businesses are located in the north of the study area around York Street, Cecil Street, Coventry Street and Clarendon Street in the C1Z and C2Z.

The most prominent sub-sector is advertising, with around 1,100 jobs in the study area. Radio broadcasting includes close to 200 jobs, including Triple M and Fox FM studios.

When grouped together, motion picture, video production and post-production services include more than 220 jobs, demonstrating the prevalence of these sub-sector activities.

T18. MEDIA + COMMUNICATIONS SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Media + Communications	88	1,369	<ul style="list-style-type: none"> - Advertising (1,091 jobs) - Radio broadcasting (293 jobs) - Motion picture & video production (112 jobs) - Post-production services & other motion picture and video activities (110 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2021/Business database, South Melbourne, ABR / Google 2021.

F27. BUSINESS LOCATIONS, MEDIA + COMMUNICATIONS, SOUTH MELBOURNE

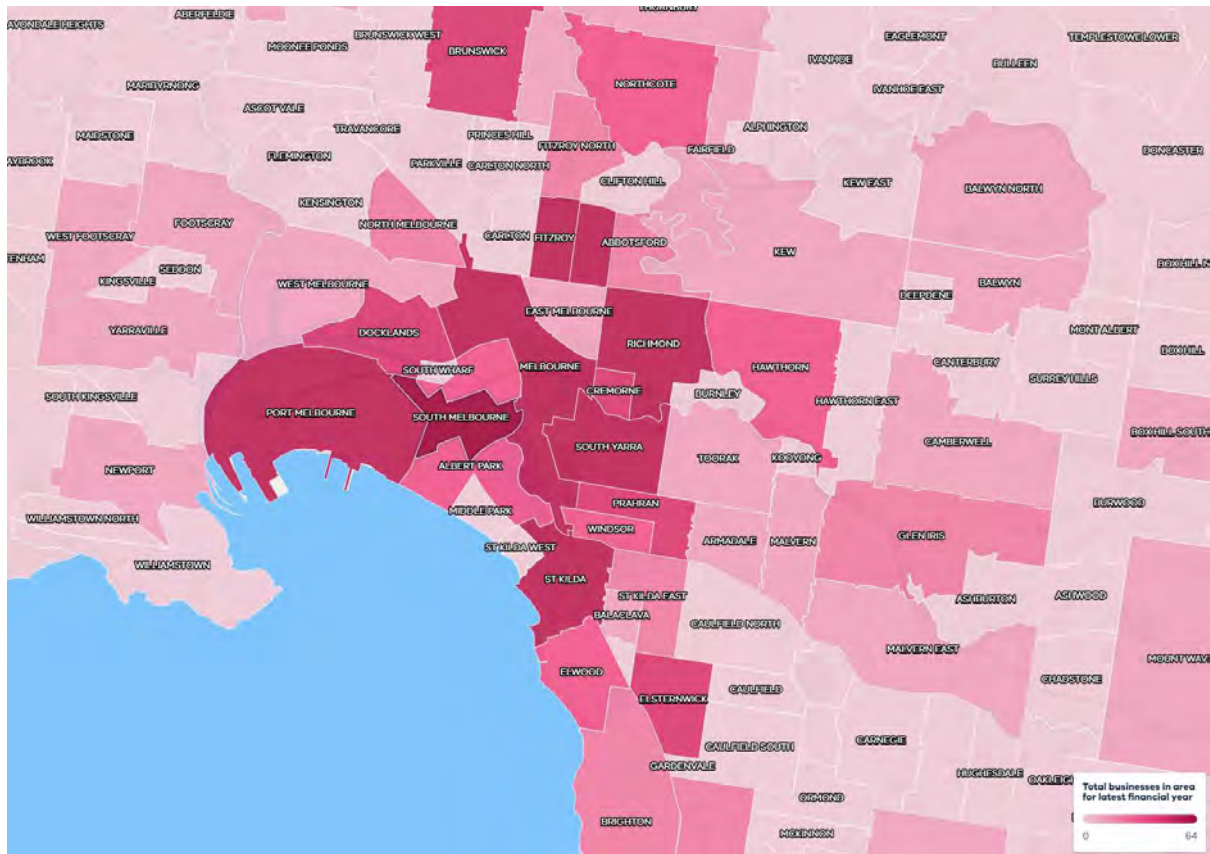


Source: Urban Enterprise 2021, derived from business database, South Melbourne, ABR / Google 2021.

The study area accommodates a substantial cluster of motion picture and video production businesses. According to WorkCover data for 2018, the suburb of South Melbourne had the highest number of businesses in this sub-sector of any suburb in Melbourne (64) as demonstrated in Figure 28.

Businesses in this sub-sector typically utilise former industrial buildings and studios for production. Proximity to the Melbourne Arts Precinct is a key advantage for this sub-sector.

F28. NUMBER OF BUSINESS IN MOTION PICTURE AND SOUND RECORDING ACTIVITIES BY SUBURB



Source: Workcover, 2018.

COMMERCIAL + DIGITAL DESIGN

Commercial and digital design includes activities such as architecture, interior and fashion design (e.g., clothing, textiles, jewellery), as well as graphic, signwriting and game design and development. In total, there are close to 1,100 jobs across at least 124 business in this sector in South Melbourne.

Computer system design and related services includes expertise in the field of information technologies such as writing, modifying, testing or supporting software to meet the needs of a particular consumer; or planning and designing computer systems that integrate computer hardware, software and communication technologies. This sub-sector includes 708 jobs, the second highest employment of any sub-sector.

In terms of commercial design, there are a number of small businesses in the fields of architecture, interiors, fashion and graphics. These industries include approximately 400 jobs (in aggregate).

These businesses typically occupy office spaces throughout the C1Z and C2Z.

T19. COMMERCIAL + DIGITAL DESIGN SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Commercial + Digital Design	124	1,109	<ul style="list-style-type: none"> - Computer system design & related services (708 jobs) - Architectural services (247 jobs) - Other specialised design services (155 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2021/ Business database, South Melbourne, ABR / Google 2021.

F29. BUSINESS LOCATIONS, COMMERCIAL + DIGITAL DESIGN, SOUTH MELBOURNE



Source: Urban Enterprise 2021, derived from business database, South Melbourne, ABR / Google 2021.

GAME DESIGN

It is noted that game design and development sits within the ANZSIC industry classification 'computer system design'. Given that there is no specific sector classification for these activities, it is difficult to precisely identify the number of jobs in this sub-sector. There was, however, a high concentration of computer system design employment in South Melbourne in 2021, primarily driven by a cluster of game design companies in the suburb.

In recent years, Melbourne, and in particular South Melbourne, has been the focus of substantial investment in the game development sector. The following announcements and indicators provide insight into the momentum, magnitude and opportunities of the recent growth in the sector:

- Victoria accommodated 40% of Australia's game development studios and 52% of employment in 2019/20. 67% of businesses in the industry planned to hire new staff in 2020/21 turnover to increase, and 87% of income for businesses is generated overseas, making it a highly export focussed sector.¹¹
- The Victorian State government announced in November 2020 that "there will be \$4.7 million for the development and production of local content across film, television, online and digital games. Film Victoria's investment in the development of locally generated digital games will double."¹²
- Activision, a Nasdaq-listed video game publisher, has announced the establishment of a new studio in South Melbourne in a recently completed 1,500sqm office space with the intention to hire 120 staff¹³. Melbourne was selected due to the "diversity, deep pool of talent and experience, culture and lifestyle."¹⁴

Research undertaken in 2021¹⁵ identified 26 game design businesses operating at The Arcade, a collaborative workspace for game developers and creative companies located within the study area. The facility closed its physical space in 2022 but continues to support the video game industry. Although the impact of the closure on the local concentration and specialisation of game design activities and employment is not yet evident, a range of game development and related businesses continue to operate in the suburb of South Melbourne, including Sledgehammer (Activision) and Frameplay.

¹¹ Australian Video Game Development Industry Snapshot 2019/20, Interactive Games and Entertainment Association.

¹² <https://www.film.vic.gov.au/news/major-new-incentive-kicks-off-turbo-charged-growth-for-victorias-screen-industry>

¹³ Australian Financial Review, February 16, 2021.

¹⁴ <https://www.invest.vic.gov.au/cn/resources/case-studies-search/case-studies/sledgehammer-games-case-study>

¹⁵ Supporting Enterprise and Creative Industries, Echelon and Hodyl and Co, April 2021

THE ARTS

The Arts includes services that relate to the production, operation or education of visual arts, performing arts and fine arts. This sub-sector is the least prevalent creative industry in South Melbourne, with approximately 146 jobs across at least 21 businesses.

Most businesses are located to the east of Clarendon Street in the C2Z, as shown in Figure 30.

Whilst the sector currently performs a tertiary economic role in creative industries in South Melbourne, there are clear locational synergies with the nearby Melbourne Arts Precinct. This precinct is internationally renowned for visual, fine and performing art, and its role will strengthen due to the new NGV Contemporary Gallery which is planned to open in 2028.

T20. THE ARTS SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
The Arts	21	146	<ul style="list-style-type: none"> - Creative artists, musicians, writers and performers (50 jobs) - Arts education (31 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2021/ Business database, South Melbourne, ABR / Google 2021.

F30. BUSINESS LOCATIONS, THE ARTS, SOUTH MELBOURNE



Source: Urban Enterprise 2021, derived from business database, South Melbourne, ABR / Google 2021.

4.6.2. CREATIVE INDUSTRY JOBS IN INNER MELBOURNE

An analysis of how South Melbourne compares with other parts of Melbourne in terms of employment in creative sectors is provided in Table 21. The table shows the top 10 SA2s within 10km of the Melbourne CBD (the area identified in previous studies as the focus for enterprise precincts and creative pursuits in the city) in terms of the proportion of employees in creative industries.

South Melbourne is one of only seven SA2s with more than 15% of workers in creative industries, alongside Southbank East, Cremorne, South Yarra (North and South), Collingwood and Albert Park (including St Kilda Road).

T21. CREATIVE INDUSTRY EMPLOYMENT, TOP 10 INNER MELBOURNE SA2S, 2021

Rank	SA2	Creative jobs	% of all jobs
1	Southbank - East	3636	30%
2	Richmond (South) - Cremorne	6150	23%
3	South Yarra - North	1284	20%
4	Collingwood	2556	20%
5	South Yarra - South	1165	19%
6	South Melbourne	3778	19%
7	Albert Park*	2718	18%
8	Prahran - Windsor	1617	15%
9	Brunswick East	452	15%
10	St Kilda - Central	773	15%

Source: Urban Enterprise, derived from Census of Population & Housing, ABS 2021. * Albert Park includes St Kilda Road. Ranking based on % of jobs that are categorised as creative.

4.6.3. PROFESSIONAL & FINANCIAL SERVICES

Professional and financial services is a prominent industry group in South Melbourne. The sectors employ 2,138 people across at least 367 businesses (excluding those categorised as creative industries). Local jobs within this sector are spread across several sub-sectors, including real estate, engineering, management consulting, accounting and others.

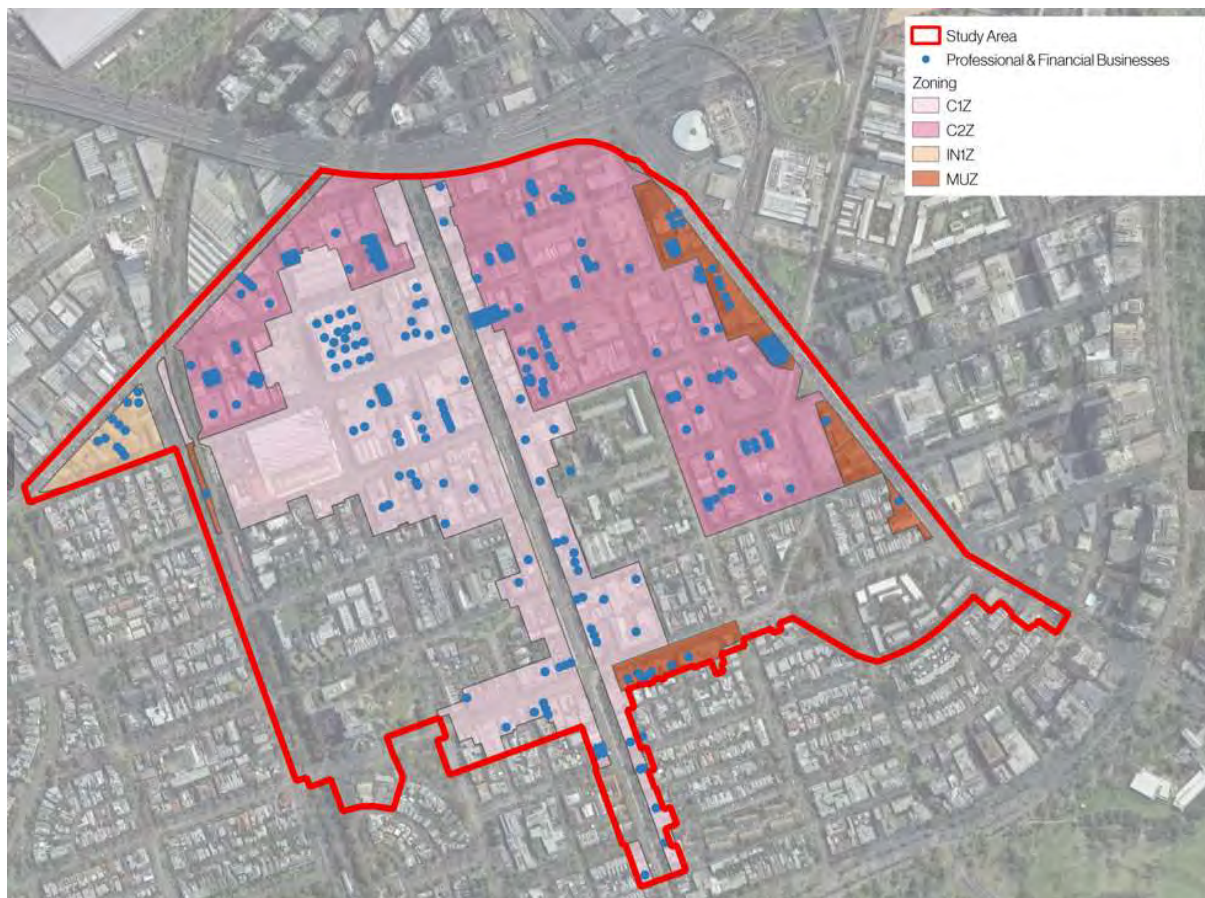
The business base is dispersed across the study area, including the C1Z, C2Z, MUZ and IN1Z. There are clusters of businesses within and surrounding the Clarendon Street corridor due to the high concentration of office premises and co-working spaces that are well-suited to micro, small and medium sized businesses.

T22. PROFESSIONAL + FINANCIAL SERVICES SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Professional + Financial Services	367	2,138	<ul style="list-style-type: none"> - Real estate services (382 jobs) - Engineering services (275) - Management advice + consulting services (273) - Accounting services (243) - Finance and Investment Services (165) - Legal services (124) - Banking (107)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2021/ Business database, South Melbourne, ABR / Google 2021.

F31. BUSINESS LOCATIONS, PROFESSIONAL + FINANCIAL SERVICES, SOUTH MELBOURNE



Source: Urban Enterprise 2021, derived from business database, South Melbourne, ABR / Google 2021.

4.6.4. RETAIL, HOSPITALITY & PERSONAL SERVICES

There is a high number of businesses (at least 452) and jobs (3,455) in South Melbourne's retail, hospitality and personal service sector. There are three anchor and destination retail locations in the northern end of the study area:

- The South Melbourne Market;
- The Woolworths/Spotlight precinct fronting Cecil Street, York Street and Market Street; and
- The Aldi/Dan Murphys precinct on the corner of Market Street and Cecil Street.

The above precincts are located proximate to one another and generate significant visitation and foot traffic in the north-western section of the study area, particularly on market days (Wednesdays, Thursdays, Saturdays and Sundays).

Cafés, restaurants and service retail businesses are found throughout the study area, and benefit from the substantial base of workers, local residents and visitors across South Melbourne and surrounding precincts. Hospitality businesses (primarily cafes) are particularly concentrated around the market precinct, supporting the high day-time visitor and worker population in this area.

The high-quality and well established hospitality and retail amenity is a major strength of South Melbourne, and is a key factor for businesses being located in the area, and their ability to attract and retain workers. This is explored further in the consultation section.

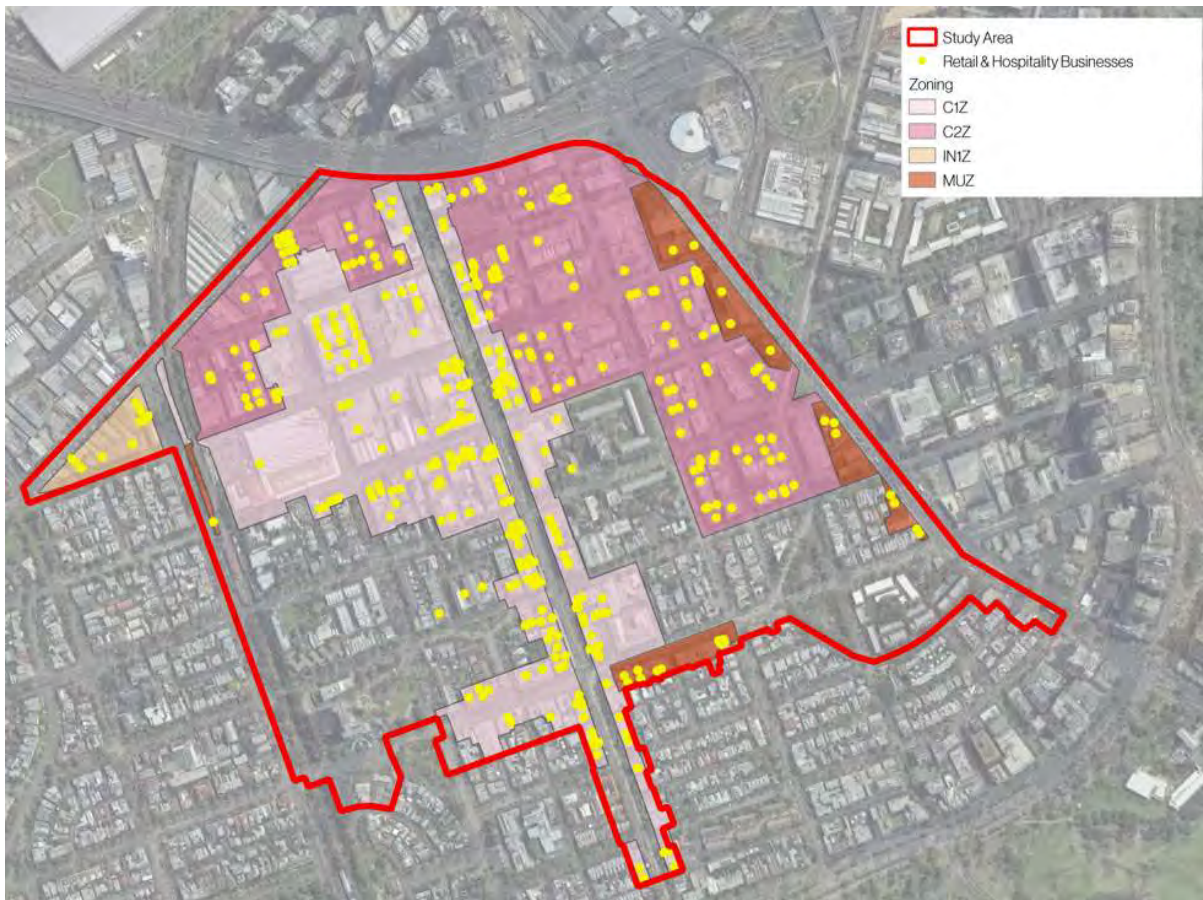
In the C2Z to the east of Clarendon Street, a series of kitchen, homeware and interior retail and showroom businesses have established in former and repurposed industrial and large format commercial premises. Examples of these businesses are shown in Figure 32. This eastern section of the C2Z is adjacent to Kings Way/Sturt Street and is somewhat divorced from the South Melbourne Activity Centre due to the distance and proximity from major retail precincts and intervening residential land.

T23. RETAIL, HOSPITALITY + PERSONAL SERVICES SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Retail, hospitality + personal services	452	3,455	<ul style="list-style-type: none"> - Cafes and restaurants (603 jobs) - Manchester + other textile goods (529 jobs)* - Supermarket + grocery retailing (336 jobs) - Hairdressing + beauty services (164 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2021/ Business database, South Melbourne, ABR / Google 2021. * potential Census categorisation error in Census given lack of major retailers in this category in study area.

F32. BUSINESS LOCATIONS, RETAIL, HOSPITALITY + PERSONAL SERVICES, SOUTH MELBOURNE



Source: Urban Enterprise 2021, derived from business database, South Melbourne, ABR / Google 2021.

F33. EXAMPLES OF RETAIL/SHOWROOM BUSINESSES IN KITCHEN, HOMEWARES & INTERIORS



Toto Bathroom Supplies, Coventry Street



Made in Italy Kitchens, Moray Street

SOUTH MELBOURNE MARKET

In the northwest of the study area, the South Melbourne Market accommodates approximately 150 market stalls, with trade occurring on Wednesdays, Fridays, Saturdays and Sundays.

The Market is an iconic fresh produce and food destination and is estimated to attract over five million visitors per annum. The unique retail mix of the market provides visitors with access to sustainable, ethical and artisanal goods and services. The primary retail role of the market is the provision of fresh produce, groceries and food items. The market also accommodates a wide variety of restaurants, cafes, merchandise stalls and service providers.

The South Melbourne Market is a major retail destination which directly contributes to the amenity and vibrancy of the study area. Several office and residential developments have been delivered and are underway proximate to the market, indicating the desirability of businesses, workers and residents to be located near the Market.

F34. SOUTH MELBOURNE MARKET



Source: Urban Enterprise 2021.

4.7. INDUSTRIAL AREA

There is a small precinct within the Industrial 1 Zone at the western edge of the study area, at the juncture of City Road, Ferrars Street and York Street. The precinct includes 22 properties across a total area of 1.2 ha.

This area is one of the last remaining areas of industrially zoned land in the municipality following the rezoning of Fishermans Bend to Capital City Zone.

Figure 35 shows the location context and interface with adjoining areas. The area has interfaces with Fishermans Bend (Montague Precinct), the South Melbourne Market (across the Port Melbourne light rail line) and a residential area to the south.

The precinct is accessible by road and tram. Declared arterial roads of Montague Street, Ferrars Street and City Road provide direct road access to Docklands, Southbank, the CBD and other parts of the Port Phillip municipality.

This section of the study area is characterised by busy roads carrying larger vehicles and a prevailing industrial built form profile. The vehicle-dominated environment is in direct contrast to the more pedestrian-focused environment in the area between the Market and Clarendon Street where laneways, street trees, fine grain premises, heritage buildings and a mix of land uses creates an environment that is considerably more conducive to street activity and hospitality.

F35. INDUSTRIAL PRECINCT CONTEXT MAP



Source: Urban Enterprise, 2021.

BUSINESS MIX

Despite the industrial zoning, the area primarily accommodates offices and larger format retail premises. Site visits identified that there is a mix of businesses operating in the area, including professional services, creative industries and retailers, many of which are accommodated in adapted warehouse spaces.

Table 24 summarises the current businesses in the precinct. Key observations of the existing business mix are as follows:

- Of the 22 sites, only 4 sites are categorised as industrial premises.
- Although some sites have retained garage space/roller door access (historically used for delivery purposes), it appears that few businesses are engaged in operations that are likely to require this type of access / industrial space.

- Several creative businesses occupy premises in the block, including Mushroom Creative, Chocolate Studios and Mezzanine Films. These businesses are involved in a range of content design and creation, including studios for music and videos, as well as marketing and postproduction.
- Some sites accommodate large format retail uses such as Dulux and Carpet Court which are defined as 'restricted retail', rather than industrial uses.
- A small number of office spaces are vacant. These are generally secondary office space with larger floorplates and older fit-outs.

T24. BUSINESS AUDIT, IN1Z PRECINCT, SOUTH MELBOURNE

ID	Address	Land use category	Business description
1	441-455 City Road	Service Station	Fuel Outlet
2	439 City Road	Studio	Video Production
3	1/433-437 City Road	Retail Store/Showroom	Mobile Technology + Security
4	431 City Road	Office Premises	Not identified
5	427 City Road	Office Premises	Children's Education Software Developers
6	423 City Road	Office Premises	Environmental Consultants
7	419-421 City Road	Warehouse/Office	Architecture / Interior Design
8	413-417 City Road	Warehouse/Office	Cooking School / Shop
9	409-411 City Road	Office Premises	Security Equipment and Services
10	401-407 City Road	Office Premises	Not identified
11	387 City Road	Office Premises	For Lease
12	178 Ferrars Street	Office Premises	For Lease
13	180 Ferrars Street	Office Premises	Developer / Builder
14	182 Ferrars Street	Office Premises	Head Office / Clothing
15	208-210 York Street	Warehouse/Office	Education / Skin Training
16	212 York Street	Industrial Development Site	Vacant Development Site / Car Park
17	216-220 York Street	Retail Store/Showroom	Showroom
18	222 York Street	Office Premises	Marketing and creative content
19	230 York Street	Medical Centre/Surgery	Medical Clinic
20	232-234 York Street	Office Premises	Head office & Sports Clothing
21	236-240 York Street	Office Premises	Video / Advertising Creation
22	242 York Street	Warehouse	Printing

Source: Urban Enterprise, derived from Property rates data, City of Port Phillip and site visits, 2021.

DISCUSSION OF ROLE

The industrial area accommodates a range of business types, few of which would be described in planning terms as 'industry'. The location of the precinct is at the junction of some of the area's busiest roads, while public transport accessibility is excellent via the adjacent light rail.

The premises in the precinct provide low rise, secondary office space, showrooms and studios which are well occupied. The presence of creative industries is consistent with most areas of South Melbourne. Many of the buildings are relatively old and are likely to be attractive for redevelopment within the next period of South Melbourne's growth and change. Although redevelopment could result in the loss of former industrial premises which contribute to the diversity of premises types available in South Melbourne, especially for creative purposes, the Industrial Zone does not suitably reflect the types of land uses that are currently in the precinct or the types of land uses that are suited to this location in the future.

Given the excellent public transport access, greater business and employment density could be accommodated in the precinct, especially as most uses are of an office type. The relatively harsh traffic environment would however limit the suitability of the location for hospitality or specialty retail uses.

Zones other than industrial should be considered for the precinct, although the strategic location for employment uses and the benefit of retaining suitable space for creative businesses should be prioritised in any zoning considerations.

4.8. BUSINESS CONSULTATION

This section summarises the findings from consultation with businesses and government stakeholders obtained through interviews, workshops and an online business survey.

The 'Business Pulse' online survey was responded to by 189 businesses across the municipality, with 42 business respondents from South Melbourne. Respondents were across retail, hospitality, professional services, financial services, art and recreation services, information media and telecommunications, health and education sectors.

Table 25 provides a summary of common issues that were raised through business consultation.

T25. SUMMARY OF ISSUES, BUSINESS CONSULTATION

Issue	Common consultation themes and findings
Location	The central location was identified as a key reason for businesses being based in South Melbourne. Several businesses indicated that their clients are located in the CBD, and that proximity and access to clients is very convenient. Being located in an inner 'suburb' without being in the heart of the CBD was identified as an attractive attribute.
Built-form	The built-form scale and character provides a point of difference to the high-rise and corporate culture of the CBD and St Kilda Road. This is unique to South Melbourne and contributes to the identity and vibrancy of the area.
Agglomeration	The clustering of business and industry types provides a number of benefits, including business to business opportunities, supply-chain efficiencies and being co-located with similar businesses and workers. These benefits are particularly important to businesses involved in media and advertising.
Amenity	<p>The high-quality and critical mass of retail and hospitality amenity is highly attractive for businesses and their workers. Employees are encouraged to take advantage of the richness of cafes, restaurants, fresh food and produce retail in South Melbourne.</p> <p>Several businesses perceived safety as an issue in some parts of South Melbourne, particularly at night.</p>
Access	The accessible nature of South Melbourne was identified as an advantage for businesses, with access via road and tram. Congestion is an issue during peak times, but generally workers, clients and suppliers can access the area conveniently.
Price	<p>Businesses indicated that the cost of office space in South Melbourne has been rising, but it is still more affordable and competitive compared with the CBD.</p> <p>Several businesses (mainly micro) indicated that the affordability of spaces was becoming an issue, as rents had been increasing consistently year-on-year.</p> <p>Some consultees expect that there will be a greater trend for micro and small businesses to move to co-working spaces and shared tenancy arrangements (e.g., sub-lease). The drawback to this, however, is the loss of exclusive use and privacy.</p> <p>Media businesses consulted indicated that rent increases are having the effect of making the location less viable for start-up and emerging media businesses which generally seek low-mid rent premises.</p>
Tenancy floorspace and configurations	<p>A determining factor for businesses being located in South Melbourne was the availability of office space that was well suited to floorspace requirements. Many commercial tenancies are located in older office building (some with heritage attributes), but the spaces are flexible and modifying them is relatively straightforward.</p> <p>Many businesses indicated that their workforce now has greater flexibility due to the COVID-19 pandemic, with a mix of working from home and in the office.</p>

Issue	Common consultation themes and findings
	<p>Creative and professional service business consultees generally expect that a more permanent return to work would occur post-pandemic, given that their work is collaborative, interactive and iterative. Some businesses noted that their floorplate configurations and floorspace needs may need to be revisited but did not anticipate any wholesale changes.</p> <p>Media businesses consulted indicated that former industrial premises are valuable in terms of their ability to be adapted for studio uses (e.g., sound and video recording) which require large uninterrupted floorplates and high ceilings.</p>
<p>The role and importance of creative industries and the arts</p>	<p>Consultation with representatives of creative and arts organisations noted that the inclusive and progressive nature of the Port Phillip community provides a safe and welcoming environment which supports and attracts a range of creatives and artists to the area. This is strengthened by the quality and range of public and private arts spaces, such as the South Melbourne Town Hall, Temperance Hall and music rooms within hospitality venues, proximity to the Melbourne Arts Precinct (which is performance and exhibition only, not 'creation'), and the proximity to a wide range of events and festivals.</p> <p>South Melbourne is located within proximity to a high volume of talented creatives, especially in theatre, music, design and technology. It was noted, however, that younger and 'new' artists generally can't afford to live in Port Phillip, which is a challenge to replenishing the arts scene, especially music.</p> <p>Consultees noted that the combination of open space, public land, performance space in hospitality venues and commercial premises suited to creative enterprises (especially those which enable businesses to 'try and fail') are critical to supporting a creative culture in the area.</p>

Source: Urban Enterprise, 2021.

5. DEVELOPMENT ACTIVITY

5.1. INTRODUCTION

This section provides an analysis of recent development activity in the study area, including residential and non-residential development.

5.2. KEY POINTS

- A limited number of residential developments have occurred in the study area in recent years. This contrasts with the surrounding areas of Fishermans Bend, Southbank and St Kilda Road where substantial redevelopment activity is continuing.
- The majority of development activity that is underway or has taken place in South Melbourne in recent years is commercial office, primarily in large developments. Recent and proposed additions will add substantial capacity to the area to accommodate businesses and employees.
- Co-working spaces are common in South Melbourne and are mostly located within new multi-storey commercial development. The predominance of micro and small professional businesses in South Melbourne, coupled with high commercial rents, underpins demand for flexible office space.
- Property industry representatives expect city fringe locations such as South Melbourne to recover quickly from the impacts of the COVID pandemic given the small to medium sized business base that is weighted towards creative and professional services, as opposed to major corporates in the CBD and Docklands.
- Most larger sites have now been redeveloped in South Melbourne. Property representatives indicated that future development at scale will be difficult to achieve without lot consolidation and that height controls, although important to the retaining the mid-rise character of the area, could be increased to improve the prospect of intensification.

5.3. RESIDENTIAL DEVELOPMENT

5.3.1. DWELLING APPROVALS

Table 26 shows dwelling approvals between 2017 and 2022 in the South Melbourne SA2. 913 dwellings were approved in the SA2 over the period at an average of 152 per annum.

This area extends beyond the Study Area to include the Domain Precinct and residential areas to the south and west, but excludes Fishermans Bend.

T26. DWELLING APPROVALS BY TYPE, SOUTH MELBOURNE SA2, 2017-2022

Year	House	Other Residential	Total
2017	6	193	199
2018	10	15	25
2019	5	9	14
2020	6	201	207
2021	4	230	234
2022	1	233	234
Total	32	881	913
Average p.a.	5	147	152

Source: ABS Region Summary, South Melbourne SA2. Data is for year ending June 30.

5.3.2. MAJOR REDEVELOPMENT SITES, RESIDENTIAL

The Urban Development Program (UDP) monitors and reports on major residential redevelopment projects across metropolitan Melbourne. Data is collected by analysing planning permits, commercial data sources and aerial imagery.

Residential redevelopment information has been collected for South Melbourne and adjacent parts of Fishermans Bend to the west and Domain to the east. Projects are categorised as follows:

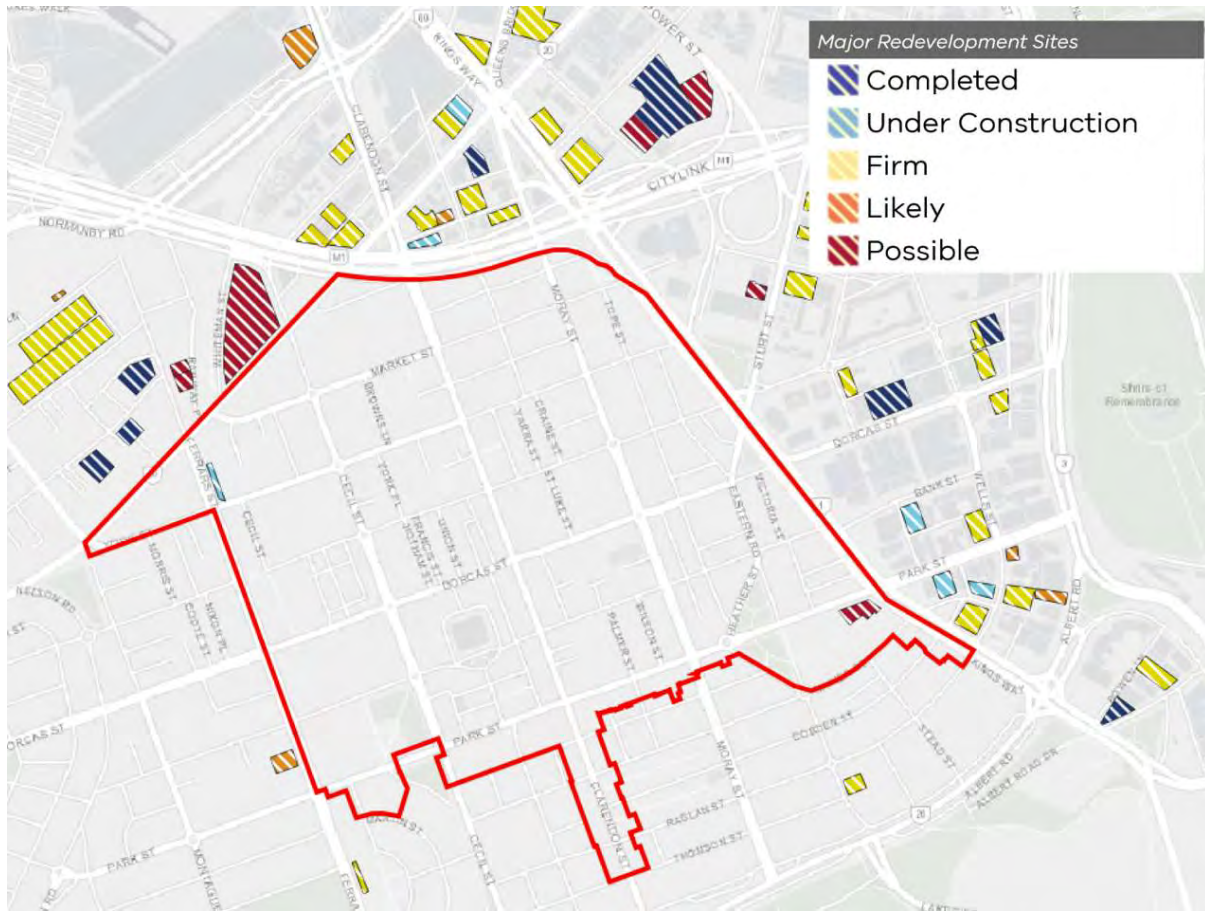
- **Possible** - early indicator of the location of future major redevelopment sites;
- **Likely** - major redevelopment sites that are within the planning process;
- **Firm** - major redevelopment sites that have been approved and/or taking sales enquires and registrations;
- **Under construction** - building works being carried out on major redevelopment sites; and
- **Completed** - completed building on major redevelopment sites.

Major residential redevelopment projects in the study area and surrounding areas are shown in Figure 36. There were a very limited number of major redevelopment sites with an active status in the study area at the time the latest data was compiled. In terms of future development, two projects were identified with a total of 72 apartments, one of which was under construction.

Comparatively in Fishermans Bend and Domain, substantial redevelopment activity has taken place, is underway and is planned to continue. These areas have planning controls which permit much higher buildings than in South Melbourne, an indication both that the area is a highly attractive location for apartment living and that the zoning and height controls which apply in South Melbourne are likely to strongly contribute to lack of residential development in the study area.

It is noted that since this data was prepared by DELWP, several planning permit applications have been approved for residential development in the study area, such as 195-199 Ferrars Street (89 apartments), 182-200 Clarendon Street (36 apartments) and 162-180 Clarendon Street (28 apartments). When this permitted development is combined with proposed developments shown in the UDP, a total of 203 dwellings are currently proposed in the Study Area.

F36. MAJOR REDEVELOPMENT SITES (RESIDENTIAL) BY STATUS, SOUTH MELBOURNE, UDP



Source: Urban Development Program, DELWP, 2021.

5.4. CASE STUDIES: RESIDENTIAL

In general, residential developments in the study area have been relatively limited in both number and scale, with apartments dominating the new dwelling stock.


The following three case studies are summarised in this section to demonstrate the location, nature and scale of residential development that has taken place in the study area in recent years:

- Piccolo House, 5 John Street (C1Z), completed in 2019;
- 274-278 Coventry Street (C1Z), completed in 2017; and
- 244-246 Dorcas Street (C1Z), completed in 2018.

All developments are in the Commercial 1 Zone. Development information was provided by the City of Port Phillip and supplemented through a site visit and desktop research.

PICCOLO HOUSE

Piccolo House is located at 5 John Street behind 228-230 Dorcas Street. The 24-apartment development spans 7 storeys and was completed in 2019. The development is entirely build-to-rent and includes high-quality 1 and 2-bedroom apartments in an amenable location.

Address: 5 John Street (behind 228-230 Dorcas St)	
Zone: Commercial 1 Zone	
Overlays: DDO 8-5a, HO440, EAO	
Date received/endorsed: 11/05/16	
Primary land use: Residential	
Site area: 690 sqm	
Storeys: 7	
Dwellings: 24	

274-278 COVENTRY STREET

The 6-storey development at 274-278 Coventry Street is located in the C1Z and was completed in 2020. The primary use is residential, consisting of 36 apartments but also includes approximately 700 sqm of office space and 400 sqm of retail/hospitality space.

Address: 274-278 Coventry Street	
Zone: Commercial 1 Zone	
Overlays: DDO 8-5b, HO440	
Date received/endorsed: 26/03/2019	
Primary land use: Residential	
Site area: 1,040 sqm	
Storeys: 7	
Dwellings: 36 apartments	

244-246 DORCAS STREET

A 6-storey 65-apartment development was completed at 244-246 Dorcas Street in 2018-19. The 826 sqm site is located in the C1Z and is situated in between Clarendon Street and Cecil Street, with good access to retail, hospitality and transport amenity.

Address: 244-246 Dorcas Street	
Zone: Commercial 1 Zone	
Overlays: DDO 8-5a	
Date received/endorsed: 29/02/2016	
Primary land use: Residential	
Site area: 826 sqm	
Storeys: 6	
Dwellings: 65	

5.5. NON-RESIDENTIAL DEVELOPMENT ACTIVITY

Non-residential development refers to buildings that are primarily intended for purposes other than long term residence such as offices, industrial, retail, factories, warehouses, health, entertainment, recreation and accommodation.

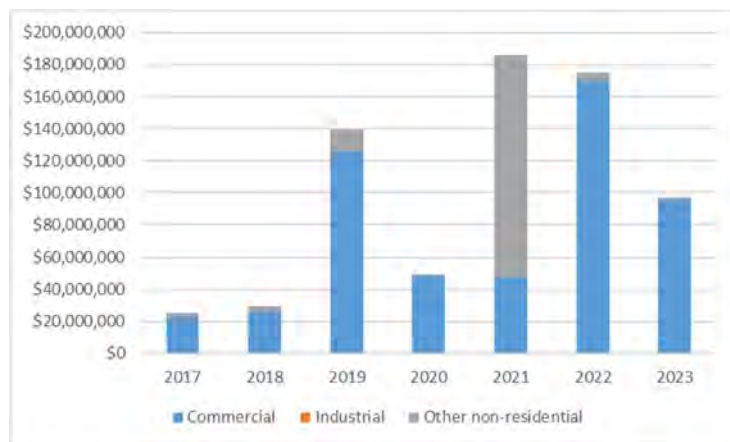
The value of non-residential building approvals provides an indication of the scale and nature of private and public sector investment and development activity across non-residential land uses.

5.5.1. VALUE OF BUILDING APPROVALS

Figure 37 shows the value of non-residential building approvals in the South Melbourne SA2 between 2017 and 2023 (financial years).

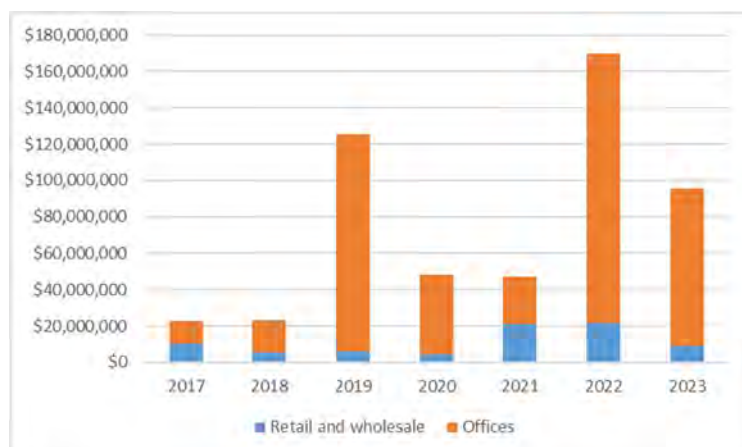
There has been an increase in the value of non-residential building construction approved in the area over the period, driven by commercial and 'other non-residential' building¹⁶. The majority of commercial approvals have been for office buildings as shown in Figure 38, with particularly strong office approval values in the 2018/19 and 2021/22 financial years.

F37. VALUE OF NON-RESIDENTIAL BUILDING APPROVALS, SOUTH MELBOURNE SA2, 2017-2023



Source: ABS Value of Building Approvals, South Melbourne SA2, 2017-23 (financial year). 2023 = Jul – April FYTD.

F38. VALUE OF COMMERCIAL BUILDING APPROVALS, SOUTH MELBOURNE SA2, 2017-2023



Source: ABS Value of Building Approvals, South Melbourne SA2, 2017-23 (financial year). 2023 = Jul – April FYTD.

¹⁶ Commercial building includes retail, transport and offices. Other non-residential building includes education, health, entertainment, short term accommodation, religion and aged care.

5.5.2. NON-RESIDENTIAL FLOORSPACE CONSTRUCTION

Planning permit data was provided by Council for the study area over the period 2014 to current. Table 27 shows that approximately 84,000sqm of office floorspace and 4,000sqm of retail floorspace has been constructed (or is under construction) over the 10 year period.

The rate of floorspace construction is strongly influenced by the development of major office buildings, in particular in 2019 (101 Moray Street and Market Lane) and in 2023 (11-29 Eastern Road). These three developments comprise 70% of the office floorspace constructed over the period.

In addition to the developments shown in Table 27, a further 60,000sqm of office floorspace and 7,000sqm of retail floorspace is either approved or subject to a current planning permit process.

T27. NON-RESIDENTIAL FLOORSPACE CONSTRUCTION, 2014-2023

Year	Office (GFA)	Retail (NLA)	Non-res replaced (GFA)
2014	5,400	700	0
2015	600	200	-900
2016	6,400	500	-5,800
2017	1,700	700	-800
2018	0	0	0
2019	37,200	600	-3,000
2020	0	0	0
2021	0	0	0
2022	1,900	100	-400
2023*	30,800	1,200	0
Total	84,000	4,000	-10,900
Average	8,400	400	-1,090

Source: City of Port Phillip; Urban Enterprise. Data is based on planning permits issued for development of 3 or more storeys within the study area, with completion / under construction status based on aerial imagery (Nearmap). Floorspace estimates are approximate and indicative based on various plans, few of which have detailed floorspace schedules. Floorspace is allocated to the year in which construction is evident on aerial imagery. * 2023 floorspace is currently under construction.

5.5.3. CASE STUDIES: OFFICE

Several case studies have been assessed to understand the location, nature and scale of commercial office development that has taken place in the study area in recent years.

The following office developments have been assessed:

- Market Lane, 68 Clarke Street (C2Z), completed 2020;
- 101 Moray, 101-109 Moray Street (C2Z), completed 2020;
- 80-84 Cecil Street (C1Z), subject to a current planning permit process;
- 143-145 Clarendon Street (C1Z & C2Z), under construction; and
- 307-309 Clarendon Street (C1Z), completed 2022.

Development information was provided by the City of Port Phillip, and supplemented through a site visit, desktop research and discussions with agents and development representatives.


MARKET LANE

Market Lane is situated on the corner of Clarke Street and Market Street in the Commercial 2 Zone in the northeast section of the study area. The development was completed in 2020 and includes more than 10,000 sqm of net leasable area across 6 storeys.

The tenancy configurations on the ground floor are relatively small and include a mix of hot desks, dedicated desks and small private offices that are well-suited to sole operators, micro and small businesses. A co-working space is located at the ground level with shared lounge and café facilities.

On the upper levels, more substantial floorplates cater to medium and larger sized businesses, with the top floors providing tenancies of 1,300-2,300 sqm.

The building includes a premium fit-out, with high-quality amenity and services for tenants, including end of trip facilities, a rooftop terrace and ground floor hospitality. Activision has recently leased an entire floor for its video game development studio.


Address: 68 Clarke Street	
Zone: Commercial 2 Zone	
Overlays: DDO 8-7a/b, SB01	
Date received/endorsed: 13/04/2018	
Primary land use: Commercial	
Site area: 2,788 sqm	
Storeys: 6	
Floorspace (GFA): 11,301 sqm	
Net Lettable Area (NLA): 10,213 sqm	

101 MORAY

101 Moray is located in the Commercial 2 Zone in the northeast section of the study area. The development was completed in 2020 and includes almost 14,000 sqm of net leasable floorspace across 7 storeys.


101 Moray has floorplates ranging from 250 sqm to 3,000 sqm, as well as co-working spaces. Levels 2 through to 6 are flexible floorplates for tenants to tailor.

The building includes a premium fit-out and worker amenities such as end of trip facilities, gymnasium, basketball court and golf simulator.

Address: 101-109 Moray Street	
Zone: Commercial 2 Zone	
Overlays: DDO 8-7a., SBO1	
Date received/endorsed: 09/02/2018	
Primary land use: Commercial	
Site area: 4,057 sqm	
Storeys: 7	
Floorspace (GFA): 18,629 sqm	
Net Lettable Area (NLA): 13,845 sqm	

80-84 CECIL STREET


Site works have commenced on 80-84 Cecil Street, located in the northwest of the study area opposite the South Melbourne Market. The approved plans permit more than 14,500 sqm of net leasable office floorspace, and a small number of retail tenancies. Revised plans are under consideration by Council.

Address: 80-84 Cecil Street	
Zone: Commercial 1 Zone	
Overlays: DDO 8-8a/2b	
Date received/endorsed: 03/08/2018	
Primary land use: Commercial	
Site area: 4,693 sqm	
Storeys: 8	
Floorspace (GFA): 19,500 sqm	
Net Lettable Area (NLA): 14,652 sqm	

143-145 CLARENDON STREET

An office development at 143-145 Clarendon Street is under construction. When complete, the development will include 2,000 sqm of NLA across 7-storeys.


The site is partially in the C1Z and C2Z but will exclusively provide commercial office space.

Address: 143-145 Clarendon Street	
Zone: Commercial 1 Zone/ Commercial 2 Zone	
Overlays: DDO 8-3 and 17, EAO	
Date received/endorsed: 07/02/2020	
Primary land use: Commercial	
Site area: 496 sqm	
Storeys: 7	
Floorspace (GFA): 2,350 sqm	
Net Lettable Area: 2,000 sqm	

307-309 CLARENDON STREET

A 7-storey office development at 307-309 Clarendon Street is under construction. When complete, the development will include approximately 2,150 sqm of new office space. The site is zoned C1Z and provides an example of new multi-storey office space being delivered along a traditional retail strip while retaining a heritage façade.

Office tenancies are primarily targeted to smaller businesses with a design focus, with spaces in the order of 250sqm common.

Address: 307-309 Clarendon	
Zone: Commercial 1 Zone	
Overlays: DDO 8-1, HO440	
Date received/endorsed: 10/02/2021	
Primary land use: Commercial	
Site area: 672 sqm	
Storeys: 7	
Floorspace (GFA): 2,637 sqm	
Net Lettable Area: 2,152 sqm	

5.5.4. CO-WORKING

Co-working spaces are common in South Melbourne and are mostly located within new multi-storey commercial development. Examples include:

- Creative Cubes (4,000sqm);
- The Commons (1,700sqm);
- Spaces interactive;
- South Hive;
- Southside Hub; and
- Workspace 365.

The predominance of micro- and small professional businesses in South Melbourne, coupled with high commercial rents, underpins demand for flexible office space. Many of the above spaces advertise the high quality fit-outs, end of trip facilities and communal facilities available that were previously only available in larger corporate premises.

5.6. CONSULTATION WITH DEVELOPMENT AND REAL ESTATE REPRESENTATIVES

Consultation with agents and a local developer representing several landowners was undertaken to discuss development trends, challenges and opportunities for the study area. The following points summarise the key findings from discussions.

1. **Office market conditions** – The office market has been subdued due to the COVID-19 pandemic, but agent and developer stakeholders are confident that the market will rebound on the back of high vaccination rates and an urge for workers to return to the office. Their view was that City fringe locations such as South Melbourne will rebound quickly, given the small to medium sized business base that is weighted towards creative and professional services, as opposed to major corporates in the CBD and Docklands.
2. **Nature and scale of demand** – Office demand has been impacted throughout the last two years and is gradually rebounding. For South Melbourne, the market has been in a holding pattern, but more recent leasing interest and commitments mostly relate to professional services and creative professional industries such as advertising, marketing and design in small to medium enterprises.
3. **Residential development** – although an attractive location to live overall, the local socio-economic variations in South Melbourne and perceptions of lower levels of public safety in parts of the study area have likely contributed in some cases to commercial development being preferred over residential.
4. **Development issues & complexities** – The most prominent issues affecting development activity are:
 - **Lot size and availability** – Most larger sites have been redeveloped. The remaining lot sizes are smaller and usually require consolidation to achieve a viable scale. This is both expensive and challenging, meaning that the floorspace or dwelling yield needs to be of a scale that improves viability.
 - **Height and setback controls** – There are prescribed limitations on building heights and setbacks, which restrict the ultimate floorspace/dwelling yield that can be achieved. The controls currently in place (i.e. through DDO8) make it challenging to deliver a financially viable project within the smaller lot size areas. If these measures were to be reviewed in strategic locations, it would make redevelopment a more attractive proposition.
5. **Built-form character and scale** – The smaller built-form scale compared with the CBD, Southbank and St Kilda Road is a competitive advantage and is attractive to some business and industry types. This should be protected in certain areas, but also reviewed in others where a moderate increase would not materially impact the built form advantage. Road reserves are generally wider in South Melbourne compared with some other inner Melbourne areas, and therefore the street level can accommodate further intensification without affecting vibrancy.
6. **Redevelopment/intervention opportunities** – The Commercial 2 Zone (C2Z) area to the east of Clarendon Street was identified as the main opportunity for redevelopment. This area is a candidate for redevelopment

and intensification of employment uses, given the low level of redevelopment that has occurred, along with the impending delivery of nearby ANZAC Station which will improve public transport accessibility.

5.7. DISCUSSION

The majority of development activity that is underway or has taken place in South Melbourne in recent years is commercial office. Whilst there are several examples of residential developments in and around the South Melbourne Activity Centre, medium to large, high-quality and high-rent office space predominates, confirming the strong office role of South Melbourne within the city fringe market.

The scale of current permitted and proposed developments indicates that this is likely to continue in the short term. The recent and proposed additions will add substantial capacity to accommodate businesses and employees. Over the medium term, the rate of growth of office space will depend on how quickly new space is occupied, how the market responds to changes in work practices post-pandemic, development decisions in the context of high construction costs and high office vacancy rates, and the level of competition from other precincts. Finalisation of the Framework Plan for Fishermans Bend is likely to result in increased competition for new office floorspace development and absorption in the southern city fringe area, while other inner city fringe areas (such as Richmond and Collingwood) are also attracting substantial office development.

6. DEMAND AND CAPACITY

6.1. INTRODUCTION

This section includes commentary on the major trends impacting land use and local economies in inner Melbourne, along with projections of local employment, population and retail floorspace needs in the study area.

6.2. KEY POINTS

- The city fringe has become a legitimate office space alternative to the CBD – a new generation of workers seek high levels of local amenity and are attracted to businesses in non-conventional office buildings – South Melbourne’s attributes are well matched to this trend.
- The retail sector has experienced relatively low growth and slowed resident spending, primarily caused by stagnant wage growth, subdued consumer sentiment and volatile economic conditions. Increased online sales has contributed to a challenging environment for some retail types.
- Increasing expenditure of workers on eating out and a preference to work in locations with high amenity street and hospitality environments, especially professional workers, has led to a strong correlation between the growing professional workforce in South Melbourne and the wide range of day-time hospitality options.
- South Melbourne is projected to experience an increase of 2,625 residents from 2021 to 2041 (+1.3% p.a.) to reach almost 12,000 residents by 2041. Higher growth is projected for adjacent areas – 18,000 new residents are projected to live in the Domain and Montague precincts by 2041.
- Based on projected employment growth and current development activity, there is expected to be the need for approximately 142,000 – 187,000sqm of office space in the study area by 2040.
- The proximity of South Melbourne retailers to high-growth and high-density urban renewal precincts will create opportunities and needs for increased retail provision. Although some new activity centres and retail opportunities are proposed in Fishermans Bend and Southbank, South Melbourne is well placed to perform an ongoing ‘Major Activity Centre’ role to support this growth.
- Projections indicate that between 16,000sqm and 21,000sqm of retail floorspace could be supportable in the study area by 2040.
- There is an estimated capacity for an additional 361,000sqm of gross floorspace in the study area within existing planning controls, however realisation of this yield is likely to be complicated by fragmented ownership and strong competition between different land use types.

6.3. OFFICE CONDITIONS

In response to historically low vacancy rates in preceding years, a substantial provision of new office supply was delivered in Melbourne's CBD in 2020 and 2021. Similar surges in new supply occurred in city fringe locations in response to a period of very low vacancy rates in these areas.

As discussed earlier in this report, the "city fringe" has now become a legitimate office space alternative to the CBD. The new generation of workers seeking high levels of local amenity and attracted to businesses in non-conventional office buildings has contributed to the trend, resulting in prime office rents of between \$450 and \$600 per sqm in fringe locations in 2022.

The COVID pandemic substantially impacted vacancy and occupancy rates for office space in inner Melbourne, with lockdowns accelerating a trend towards more flexible working arrangements for office workers. The combination of strong increases in supply, lower demand and recent economic instability has resulted in vacancy rates exceeding 10% in both the CBD and City Fringe in 2022.

Although the pandemic is likely to have ongoing implications for floorspace requirements and office configurations, businesses and property managers have adapted by moving to more flexible office spaces and hybrid models. While vacancy rates are high, rents are stable and the need to provide high quality working environments to entice workers back to offices is increasing, many businesses have been 'trading up' to higher quality premises and locations.

Prime office rents in South Melbourne in 2022 were in the order of \$550 per sqm¹⁷, the second highest of all City Fringe markets and materially higher than St Kilda Road, indicating demand remains strong in the area. During site visits, several offices were identified as vacant and for lease across York Street, Moray Street, Coventry Street and Market Street. The majority of vacancies were older, lower quality premises in less desirable locations. The higher grade and premium office spaces in the central and northern parts of the study area appeared to be well occupied, consistent with the 'flight to quality' observed across much of the city fringe. In the short to medium term, it is expected that some employment and business growth can be accommodated through the occupation of smaller, secondary spaces that are currently vacant.

Given the smaller and specialised businesses base in South Melbourne, it is apparent that the local office market has been less affected by the pandemic than the CBD. The nature of work for creative and professional service sectors, including the need to collaborate, interact and iterate, will support ongoing in-person work in the area. The substantial increase in space that has been delivered (and in the pipeline), however, will test the strength of the office market in the short term.

¹⁷ Knight Frank Melbourne Fringe Office Market, December 2022.

6.4. RETAIL CONDITIONS

Over the past decade, the retail sector has experienced relatively low growth and slowed resident spending, primarily caused by stagnant wage growth and subdued consumer sentiment. Consumer confidence levels varied during the pandemic period, however retail sales have since recovered to higher than pre-pandemic levels.¹⁸

The pandemic accelerated trends towards online sales, with a significantly greater proportion of consumers now familiar with online shopping. Retailers have responded by increasing and expanding online and hybrid options (such as click and collect). In 2022, online sales accounted for 13% of all Australian retail sales.¹⁹ The proportion of non-food sales occurring online is generally 3-4 times higher than that of food retail.²⁰

Retail and hospitality is a prominent and specialised industry in South Melbourne, anchored by the South Melbourne Market, along with areas of both convenience and specialised retail offer. Site visits identified few retail and shop front vacancies in the Activity Centre, pointing to a high level of resilience in retail and hospitality businesses.

Hospitality spending has increased steadily over recent years (outside the pandemic lockdowns), a trend which is reflected in the transition of land use in South Melbourne generally away from in-store retailing and towards cafes and food retailers. The increasing expenditure of workers (especially professionals) on eating out and the attractiveness of locations with high amenity street and hospitality environments has led to a strong correlation between the growing professional workforce in South Melbourne and the wide range of day-time hospitality options.

The fundamentals for retail businesses and investment in South Melbourne remain sound given the increasing local worker base, presence of anchor retail destinations and the substantial residential development occurring at the periphery of the centre, however in the short term, weak economic conditions are likely to present a renewed challenge to retail types already experiencing strong competition from online alternatives.

6.5. POPULATION PROJECTIONS

Population projections prepared for Council (Forecast ID, 2022) estimate that the municipal population will increase at an average rate of 2.4% per annum over the period 2021 - 2041, resulting in an additional 64,000 residents over the period.

Fishermans Bend is expected to accommodate the majority of the municipality's population growth over the period (+38,000 residents). Population growth in South Melbourne (Forecast ID South Melbourne Small Area) is projected to be considerably lower than the municipal rate, with a projected 2,625 residents from 2021 - 2041 at an average rate of 1.3% per annum, requiring an additional 1,159 dwellings over the 20 year period.

The areas immediately adjacent to South Melbourne are all projected to experience strong population growth. Domain (east of Kings Way) is projected to experience strong growth with an additional 6,300 residents between 2021 and 2041, while the Montague Precinct of Fishermans Bend is projected to accommodate an additional 11,870 residents over the period.

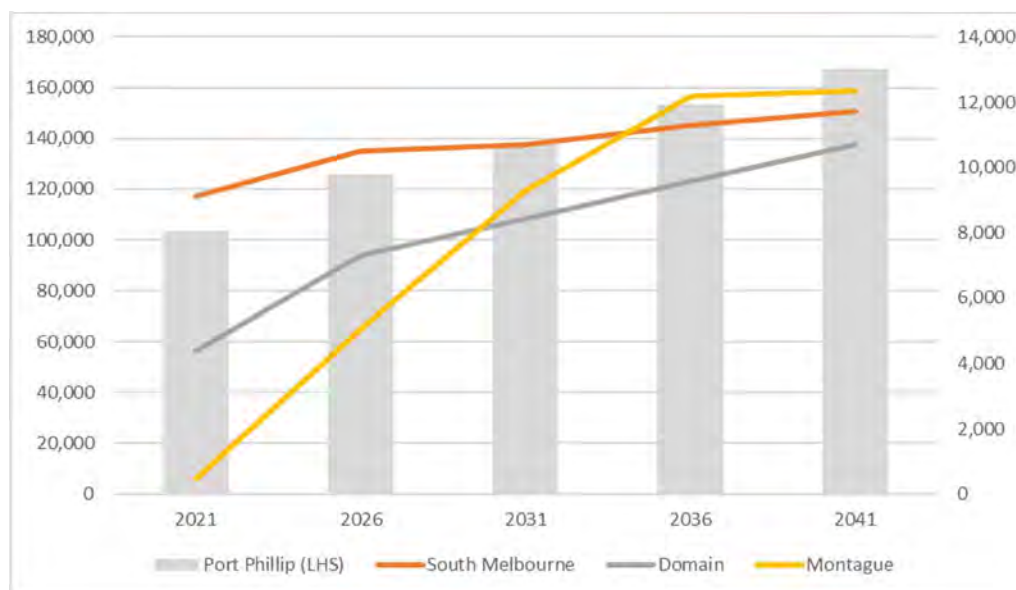
As shown in Figure 39, this will result in a population of approximately 35,000 residents in the South Melbourne / Montague / Domain area in 2041, compared with 14,000 in 2021.

¹⁸ Australian Retail Figures Q1 2023, CBRE.

¹⁹ NAB

²⁰ ABS Retail Trade, 2016 – 2023.

F39. FORECAST POPULATION, PORT PHILLIP, SOUTH MELBOURNE AND SURROUNDS, 2021 TO 2041



Source: Forecast Id, 2022.

6.6. EMPLOYMENT PROJECTIONS

South Melbourne accommodates a substantial business and employment base. Over the planning period for this study, employment across Melbourne and inner Melbourne is projected to increase substantially.

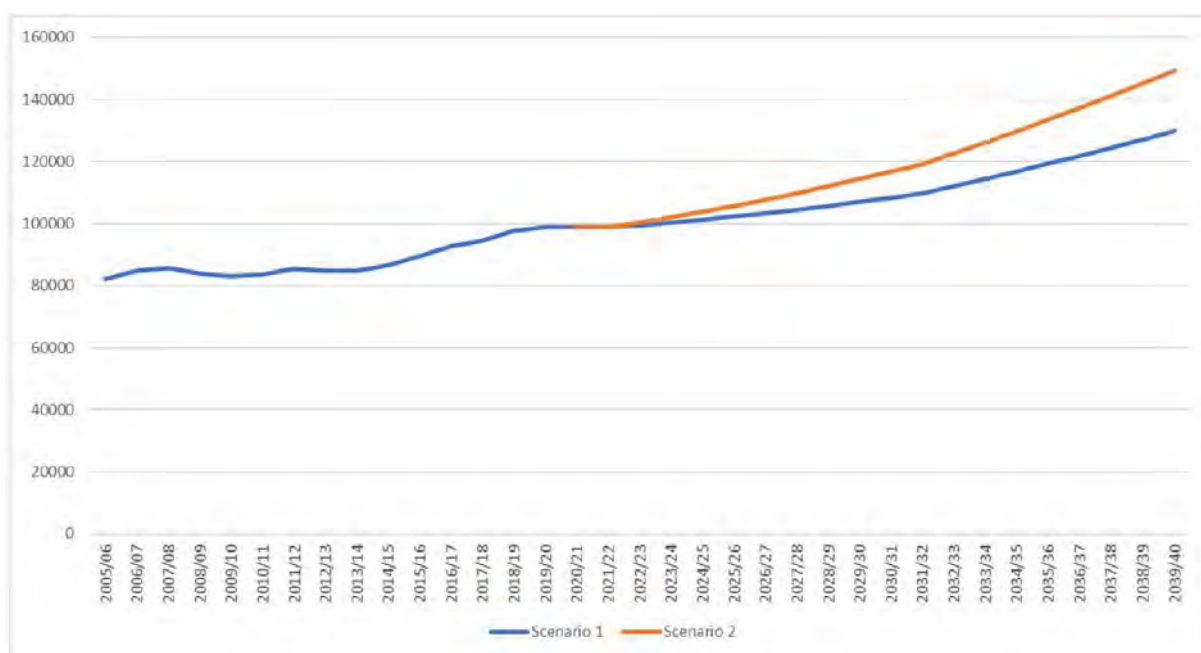
The most recent Treasury economic forecasts²¹ are for national employment growth of between 1% and 1.75% per annum between 2023 and 2027. In the short term, Federal government employment projections for the Melbourne metropolitan area expect an average increase of 1.9% per annum over the period 2020 – 2025.

At the metropolitan level, the greatest increases in employment are expected to occur in Health Care and Social Assistance, Professional, Scientific and Technical Services, Accommodation and Food Services and Education and Training. Jobs in Manufacturing and Information, Media and Telecommunications are expected to decrease over the period. Overall, the projections are for a continued shift in the profile of employment in Melbourne towards institutional and professional service sectors.

High level employment projection scenarios were prepared for the City of Port Phillip as part of preparation of a Draft Spatial Economic and Employment Framework for the municipality, with results shown in Figure 40. Employment is projected to increase by between 30,000 and 50,000 jobs over the 20 years to 2040, equating to average growth rates of 1.4% - 2.1% annum. This includes 2020 and 2021 which were impacted by the COVID pandemic which resulted in reduced employment in several sectors.

²¹ Budget Paper No 1, 2023/24 Budget, Commonwealth of Australia.

F40. PROJECTED EMPLOYMENT SCENARIOS, PORT PHILLIP, 2020 - 2040



Source: Urban Enterprise.

To provide a broad indication of potential locations and scales of employment growth and need for employment land, municipal level employment projections were distributed to SA2s, and employment was then isolated to those job types which generally require private land and floorspace in employment zones.²²

The projections for the South Melbourne SA2 are summarised in Table 28, limited to those jobs usually requiring employment land and floorspace. The SA2 is expected to experience employment growth in the order of 7,500 – 13,500 jobs requiring employment floorspace over the period 2020 – 2040. This equates to a 32% - 59% increase compared with current employment and an annual growth rate of up to 2.3%.

T28. PROJECTED EMPLOYMENT, SOUTH MELBOURNE SA2

Sector	2020	Scenario 1		Scenario 2	
		2040	Change	2040	Change
Retail	3400	4800	1400	5500	2100
Commercial	15300	21200	5900	24200	8900
Institutional	1200	2200	1000	3000	1800
Industrial	3300	2500	-800	4000	700
Total	23200	30700	7500	36700	13500

Source: Urban Enterprise. Figures rounded.

²² Job types excluded include construction, hospitals, schools and jobs completed from home.

6.7. COMMERCIAL FLOORSPACE NEEDS

Projecting commercial floorspace needs over a long timeframe involves inherent uncertainty given that a wide range of factors could influence outcomes at both the regional and local levels (especially broader economic conditions, property market conditions and so on).

In order to provide a broad indication of the potential scale of demand for commercial space in the study area, the municipal employment projections have been considered, alongside rates of recent and proposed development.

Projected employment growth will require additional floorspace to accommodate new jobs and businesses. Additional employment can also be accommodated through increased employment densities in existing premises, a trend which is common across inner urban areas.

Floorspace ratios²³ were used for each land use category to convert additional employment into floorspace, allowing for gradual increases in floorspace densities to take into account medium term trends, particularly relevant for commercial office floorspace. The results are summarised in Table 29. This table focuses on:

- Sectors needing commercial office space (retail floorspace demand is considered in the following section);
- The higher growth scenario for the purposes of strategic planning; and
- The period 2023-2040.

Under the employment projection scenario, there would be a need for approximately an additional 142,000-153,000sqm of commercial floorspace in the study area. The balance of the SA2 floorspace demand applies to the Domain and Albert Road areas.

T29. COMMERCIAL FLOORSPACE REQUIREMENTS, STUDY AREA, 2023 - 2040

Sector	South Melbourne SA2*		Study Area	
	Employment change	Floorspace	60% of Floorspace	65% of Floorspace
Sectors requiring commercial space	9,700	236,000	142,000	153,000

Source: Urban Enterprise. * 2016 SA2, excluding Montague Precinct. Study area comprised 56% of SA2 employment in 2016. 60-65% range adopted to reflect recent development increase in study area.

If the substantial new office developments recently delivered and proposed are completed and fully occupied in the short-medium term, and the relative attractiveness of South Melbourne as an office location compared with other areas endures, higher overall floorspace development could eventuate.

Table 30 summarises the development outcomes that could occur based on the **recent and planned development activity in the study area**, based on the data shown in section 5.5. The table shows a simple extrapolation of the recent and potential rates of net additional commercial floorspace development in the study area over the period 2023 – 2040, with rates ranging from 4,300sqm per annum to 11,000sqm per annum.

²³ City of Melbourne Census of Land Use and Employment, 2020.

T30. COMMERCIAL FLOORSPACE DEVELOPMENT RATES

Reference Period	1	2	3	4
Timeframe	2014-2022	2018-2022	2018-2024	2018 - 2028
Years	9	5	7	11
Net additional Office GFA	39,000	35,000	65,000	116,000
Average additional floorspace p.a.	4,300	7,000	9,300	11,000
Floorspace requirement over 2023 – 2040 (17 years)	73,000	119,000	158,000	187,000

Source: Urban Enterprise, based on City of Port Phillip Planning Permit information.

Period 1: all completed developments, excluding those under construction.

Period 2: shorter timeframe during which the development rate increased in line with increased demand for office space in the City Fringe.

Period 3: captures Period 2, plus developments currently under construction, assuming all will be complete by 2024.

Period 4: captures Period 3, plus all developments currently approved or subject to current planning permit processes, assuming all will be approved, proceed to construction and are complete by 2028 (5 year period).

Taking the two indicators of potential demand into account, it is recommended that the Structure Plan seeks to accommodate in the order of 142,000sqm – 187,000sqm of commercial office space over the period 2023 – 2040.

Although the upper end of the range should be planned for, factors which could temper medium term demand rates include:

- The extent to which current projects are responding to latent demand and the possibility of a subsequent reduction in the rate of demand for new space in the medium term;
- The extent to which changes to work patterns and flexible working policies adopted by businesses impact overall office space demand;
- The timeframes over which vacancy rates remain elevated and construction costs remain high; and
- The impact of any increase in development occurring in competing city fringe locations.

6.8. RETAIL FLOORSPACE NEEDS

The study area has a strong retail and hospitality role which primarily services local residents and workers. The core retail offer includes several supermarkets and a large number of smaller shopfronts on Clarendon Street and Park Street.

The South Melbourne Market comprises a significant component of the overall retail floorspace in the study area and generates substantial visitation to the area for retail and hospitality purposes. The Market is well known for its fresh produce, among other specialisations. When the market offering is considered alongside the variety of supermarkets, specialty food stores and personal services, the study area provides an attractive mix of core and convenience food and service retail to residents of South Melbourne and surrounding suburbs.

The study area also accommodates a substantial number of hospitality businesses, primarily cafes. A variety of takeaway food, restaurants and pubs are dispersed throughout the study area; however, these predominantly night-time businesses are less prominent than day-time hospitality uses. The high concentration of specialist coffee shops and associated cafes contributes to the strong reputation of the area for high-quality day-time hospitality and produce.

In addition to the core retail area, the study area accommodates a wide range of larger format retailers. Particular specialisations in this retail format include retail showrooms and sales for interior design, kitchens, bathrooms, cooking and hospitality supplies and electronics.

Table 31 shows a breakdown of the floorspace by retail use, across the core retail precinct and the business area.

T31. RETAIL FLOORSPACE MIX

Retail Description	Floorspace (sqm)	% of total
Core Retail Precinct (C1Z)		
Market	11,200	13%
Supermarkets	8,500	10%
Food Catering	11,700	13%
General retail / shops	34,700	40%
Sub-total core retail precinct	66,100	76%
Enterprise Precinct (C2Z)		
General shops	3,500	4%
Showrooms	11,600	13%
Food Catering	6,200	7%
Sub-total Enterprise Precinct	21,300	24%
Total	87,400	100%

Source: Urban Enterprise, based on Council property database. Property categories were adjusted for major retailers to refine mix, meaning that totals do not align with headline floorspace categorisation earlier in report.

RETAIL ROLE AND COMPETITION

Although identified as a Major Activity Centre, the primarily retail role of the study area is convenience retail and hospitality to meet local resident and worker needs. Specialised food and non-food retailers serve a wider catchment, however there is an absence of large anchor retailers which are common in higher order activity centres such as discount department stores, larger national brand retailers and bulky goods brands.

The result is a retail offer which, although substantial, is focused primarily on convenience, quality and specialisation. The observed strengths of the retail role are as follows:

- The activity centre is one of few diverse, street-based and consolidated retail centres in close proximity to the CBD.
- The South Melbourne Market is an iconic retail attraction which draws substantial and regular visitation from a wide catchment.
- The specialisation in high-quality food, produce and coffee which supports local residents with above average incomes and the local business base.
- The low-medium rise built form, heritage character and lack of major roads through the centre complements the street-based retail offer and contributes to an attractive and walkable retail environment.
- The diversity of retail, office and residential uses in the activity centre which results in high levels of daytime activity.

Many of these strengths contribute to the vibrancy of the area and serve to differentiate South Melbourne from other nearby activity centres. Nearby Major Activity Centres are shown in Figure 41, with each competing centre profiled in Table 32.

Although all competing Major Activity Centres are primarily street based, there are distinct differences between South Melbourne and the nearby competing centres. In particular, St Kilda, Prahran and Richmond have a strong focus on night-time activity, and the Prahran / South Yarra area has traditionally accommodated a strong concentration of fashion retail alongside convenience retail and the Prahran Market.

F41. MAJOR ACTIVITY CENTRES PROXIMATE TO SOUTH MELBOURNE



Source: Urban Enterprise, locations indicative and limited to existing Major Activity Centres and the CBD.

T32. PROXIMATE MAJOR ACTIVITY CENTRES AND CBD

Centre Name	Activity Centre Type	Time / Distance from South Melbourne (drive)	Retail Anchors	Retail Role
Melbourne CBD	Central City	9 mins / 3.2km	Flagship stores, shopping centres, department stores, national brands.	Combination of street-based and internal shopping centre provision serving metropolitan and state-wide catchment for retail, food and entertainment.
South Melbourne	MAC	-	Market, Woolworths, Coles, Aldi, Chemist Warehouse, Spotlight.	Primarily street-based retail and hospitality for local residents, daily worker population and market visitors. Specialty retailers generally provide higher quality non-food goods to a broad catchment.
Port Melbourne	MAC	6 mins / 2.0km	Coles, IGA, Woolworths.	Convenience, hospitality and fashion retail primarily serves the growing local resident catchment and visitors to the restaurants and foreshore.
Swan Street	MAC	12 mins / 4.4km	Coles	Street-based retail with a strong focus on food catering, especially night-time businesses. Convenience retail is relatively limited.
Prahran / South Yarra	MAC	15 mins / 7.3km	Woolworths, Coles, Dan Murphy, Big W, Chemist Warehouse, Priceline, JB Hi-Fi	Substantial retail offer extending throughout Prahran and South Yarra. Retail includes both on-street, shopping centre and market settings and provides a wide range of convenience retail, nightlife (restaurants and entertainment), food and fashion. Major retail brands and larger floorplates are prominent, unlike South Melbourne.
St Kilda	MAC	16 mins / 7.9km	Woolworths, Coles, Priceline	Eclectic mix of retail types in street-based settings across Fitzroy Street and Acland Street. The tourism, cultural, nightlife and hospitality roles are supported by convenience retail, primarily in Acland Street. Few major retailers.
Balaclava (Carlisle Street)	MAC	16 mins / 7.4km	Woolworths, Coles, Chemist Warehouse, Priceline	Street-based retail along Carlisle Street caters primarily for convenience, health, fresh food and hospitality needs of local residents and workers.

Source: Urban Enterprise.

SOUTHBANK, FISHERMANS BEND AND DOMAIN

As noted earlier in this assessment, the South Melbourne MAC is in close proximity to some of Melbourne's largest urban renewal areas which continue to accommodate high density residential and other development. The following summarises the existing and potential future implications of this circumstance:

- **Southbank** is a well established, high-density city fringe residential, commercial and entertainment location. Existing convenience retail provision is relatively limited, meaning that many residents make use of surrounding areas, including South Melbourne, for their weekly shopping needs. The opening of a full line supermarket at Melbourne Square at the eastern end of Southbank has alleviated the lack of supermarket floorspace somewhat in recent years. Strong population growth is projected for the suburb which will continue to drive demand for resident-focused retail provision in the area.
- **Fishermans Bend** is in the early phases of a long term conversion from industrial to residential and commercial land use following the rezoning of Fishermans Bend to the Capital City Zone in 2012. The Montague precinct is adjacent to South Melbourne and is expected to accommodate both major residential growth and an 'activity core'²⁴ which can accommodate substantial retail provision.
- Major development in Fishermans Bend will both increase the resident and worker population of the catchment of South Melbourne retailers and concurrently provide substantial opportunities for new retail competition, especially in high density core areas which generally have spatial opportunities for large floorplates, an opportunity that is largely exhausted in the South Melbourne MAC.
- The **Domain** area immediately east of the study area is projected to accommodate substantial residential development in an area with limited existing retail provision (with the exception of smaller supermarkets and cafes). The ongoing population growth facilitated by high density development in this area will result in additional demand for retail floorspace in the broader South Melbourne area.

The proximity of South Melbourne retailers to high-growth and high-density urban renewal precincts will create substantial opportunities and needs for increased retail provision. Although some new activity centres and retail opportunities are proposed, South Melbourne is well placed to perform an ongoing 'Major Activity Centre' role to support this growth.

RETAIL CATCHMENT, SPENDING AND GROWTH

For the purposes of assessing the future retail demand in the MAC, a retail catchment for the core retail offer of South Melbourne is summarised in Table 33. The primary catchment adopted is the suburb of South Melbourne, with secondary catchments in the surrounding areas of Domain, Albert Park, the northern section of St Kilda Road and Southbank.

An important component of demand for retail in South Melbourne is derived from the local worker base within the study area. With approximately 14,000 workers in the study area and strong growth projected, the growing employment role will drive further retail and hospitality demand in the activity centre.

T33. CORE RETAIL CATCHMENT

Catchment	Areas
Primary Catchment	<ul style="list-style-type: none"> • South Melbourne
Secondary Catchment	<ul style="list-style-type: none"> • Domain • Albert Park – Middle Park • St Kilda Road • Southbank
Worker Catchment	<ul style="list-style-type: none"> • Study Area workers

Source: Urban Enterprise.

²⁴ Fishermans Bend Framework Plan, p.45.

Fishermans Bend has been excluded from the retail catchment on the basis that substantial retail provision is planned for the urban renewal area, including Montague, and that provision is expected to meet the retail needs of the future residents and workers across several levels of the retail and activity centre hierarchy (including the Major Activity Centre role that is currently provided by South Melbourne).

Table 34 shows the average annual retail expenditure per resident by retail category for the catchment areas (in 2022 dollars). South Melbourne residents spend an average of \$22,350 per person per annum, which is 38% higher than the Greater Melbourne average. High rates of retail expenditure are also modelled for the secondary catchment, reflecting the relatively high income of residents across much of Port Phillip.

T34. AVERAGE ANNUAL RETAIL EXPENDITURE PER PERSON (2022)

Retail Category	Primary Catchment	Secondary Catchment	Greater Melbourne
Food, Liquor & Groceries	\$8,900	\$8,380	\$7,400
Food Catering	\$3,520	\$4,310	\$2,200
Apparel, Homewares & Leisure	\$6,610	\$6,350	\$4,300
Bulky Goods	\$2,260	\$1,780	\$1,700
Retail Services	\$1,060	\$1,070	\$600
Total	\$22,350	\$21,890	\$16,200

Source: Marketinfo; Urban Enterprise, rounded.

Worker retail expenditure is also an important part of the demand base for retailers in the study area. Due to the primarily office-based worker profile, worker expenditure is expected to primarily focus on day-time food catering, with ancillary spending on groceries and retail services. Worker spend is estimated at 15% of primary catchment resident spend, with 70% directed to food catering, 25% to groceries and 5% to retail services. This results in an indicative annual worker spend of \$3,345 per year in the MAC (\$15 per worker per working day).

The total annual retail expenditure of catchment residents is estimated at \$1.357bn as shown in Table 35.

T35. TOTAL RETAIL EXPENDITURE BY RETAIL CATEGORY (2023, \$M)

Indicator	Primary Catchment	Secondary Catchment	Worker Catchment	Total
Population	9,752	49,868	14,000	
Food, Liquor & Groceries	\$86.79	\$417.90	\$11.76	\$516.45
Food Catering	\$34.33	\$214.93	\$32.90	\$282.16
Apparel, Homewares & Leisure	\$64.46	\$316.66	\$0.00	\$381.12
Bulky Goods	\$22.04	\$88.77	\$0.00	\$110.80
Retail Services	\$10.34	\$53.36	\$2.38	\$66.08
Total	\$217.96	\$1,091.61	\$47.04	\$1,356.61

Source: Urban Enterprise.

Table 36 shows the projected growth in annual retail expenditure within each catchment. This projection does not make any allowance for potential real growth in retail spending per capita, primarily to counteract the likely increase in online spending over the planning period.

As shown in Table 36, the overall retail expenditure within the catchment is projected to increase to over \$2bn by 2041, an increase of approximately \$680m which is primarily driven by strong population growth expected in the secondary catchment area.

T36. RETAIL EXPENDITURE GROWTH 2023-2041 (\$M)

Indicator	Year	Primary Catchment	Secondary Catchment	Worker Catchment	Total
Population	2023	9,752	49,868	14,000	
	2041	11,730	77,820	22,000	
Expenditure per capita	2023	\$22,300	\$21,900	\$3,345	
	2041	\$22,300	\$21,900	\$3,345	
Total Annual Expenditure	2023	\$233.70	\$1,094.30	\$50.30	\$1,378.30
	2041	\$261.58	\$1,704.26	\$73.59	\$2,039.43

Source: Urban Enterprise.

SUPPORTABLE RETAIL FLOORSPACE

The extent to which this substantial increase in retail expenditure available in the vicinity of the study area translates into demand for goods and services locally will depend on a range of factors, including:

- The availability of any new retailers and floorspace in higher growth areas, especially Southbank and Domain;
- The opportunities for existing retailers in South Melbourne to accommodate additional patronage and meet the needs of the future residents of the area;
- The opportunity for new retailers to establish within the study area, especially through redevelopment of land currently not accommodating retail uses;
- The timing, scale, type and role of new retail provision in Fishermans Bend; and
- The results of usual competitive forces which impact market shares of individual retailers and centres overall.

In these circumstances, it is important that planning for the study area seeks to facilitate ongoing growth and improvement of the retail offering so that the growing catchment area is well served by its closest Major Activity Centre over the planning period.

In terms of scale, the projected increase in catchment resident and worker population and expenditure is estimated to generate the opportunity to support 16,000 - 21,000sqm of core retail floorspace in the study area by 2041 as shown in Table 37.

The main considerations for retail growth are as follows:

- A relatively small proportion of the overall future demand for retail floorspace is generated by the **local resident population** given relatively low growth projections. Retail needs of local residents primarily relate to convenience retail, food and groceries, night-time food catering and retail services.
- Growth in the **worker catchment** in South Melbourne is expected to be a substantial driver of demand, with additional workers projected generating similar overall retail expenditure growth to the projected additional local residents. The type of retail demand is quite different, however, being focused mostly on day-time hospitality and some food and grocery needs.
- Significant growth in the **secondary catchment** population will drive additional turnover potential in the study area. Given the lack of proposed activity centres in the secondary catchment, ongoing demand growth for food and groceries and retail services can be expected in South Melbourne. If a new centre were to be planned in Domain, St Kilda Road North or Southbank, the need for the full amount of floorspace projected in this assessment for South Melbourne MAC could reduce.

T37. ADDITIONAL SUPPORTABLE RETAIL FLOORSPACE ASSESSMENT (\$M)

Catchment	Primary	Secondary	Worker	Total
Population Growth (2023-2041)	1,978	27,952	8,000	0
Retail Expenditure growth	\$39.74	\$562.11	\$26.80	\$628.65
Market Share (low)	40%	10%	70%	0%
Turnover Growth Potential	\$15.90	\$56.21	\$18.76	\$90.87
Allowance for trade beyond catchment (20%)				\$18.17
Supportable Floorspace (additional)				16,000
Market Share (high)	45%	15%	70%	0%
Turnover Growth Potential	\$17.88	\$84.32	\$18.76	\$120.96
Allowance for trade beyond catchment (20%)				\$24.19
Supportable Floorspace (additional)				21,000

Source: Urban Enterprise. Expenditure excludes bulky goods.

An important feature of the outlook for retail demand in the vicinity of the MAC is the low growth projected in the areas within proximity of the main retail spine of Clarendon Street. Planning should ensure that ongoing incremental residential development can be accommodated within the Activity Centre to strengthen the local demand base for convenience retail and retail services in the area.

In addition to the turnover potential from the catchments adopted, the impact of demand from Fishermans Bend should also be considered. While new retail centres are proposed, in the short term (and potentially ongoing), the specialised retailers and the South Melbourne Market are expected to continue to attract residents from outside the local area due to the reputation for high-quality products, especially food.

6.9. DEVELOPMENT CAPACITY

The capacity of sites in the study area to accommodate additional development, floorspace and employment has been assessed based on the approach set out in Appendix D.

The capacity assessment excludes certain sites such as recently completed buildings, small sites and sites affected by state significant heritage controls.

For remaining sites, existing floorspace is compared against the permissible floorspace within current planning controls to determine the net additional floorspace potential of the area. The focus is the capacity of land in the Commercial 1 Zone, Commercial 2 Zone, Mixed Use Zone and Industrial 1 Zone (further capacity exists in the residential zones in the study area, however many of these sites are affected by heritage overlays).

The results of the capacity assessment for the study area are shown in Table 38. The net additional capacity of all sites within South Melbourne's employment zones that are development candidates is estimated at approximately 361,000 sqm. This assumes that every such site is developed to its maximum physical capacity permitted by the Planning Scheme.

T38. DEVELOPMENT CAPACITY, STUDY AREA, 2023

Area	C1Z	C2Z	IN1Z	MUZ	Total Net Additional GFA
South Melbourne Central MAC	102,300	8,200	0	3,200	113,700
South Melbourne Precinct Balance	22,000	191,600	200	33,100	247,000
Total	124,300	199,800	200	36,400	360,700

Source: Urban Enterprise.

The extent to which this capacity is (a) realised; and (b) converted to employment floorspace as opposed to residential dwellings is difficult to predict given the flexibility of the Commercial 1 Zone and Mixed Use Zone to accommodate both residential and non-residential floorspace.

Although the capacity assessment indicates that there is substantial development potential embedded in the existing planning controls, the assessment does not account for landownership and the fragmented nature of many areas within the study area.

Consultation with development representatives revealed that most logical development sites are now exhausted, meaning that site consolidation is needed to deliver feasible redevelopment based on existing built form controls. This is a time-consuming process with no guarantee to succeed. Anecdotally, consolidation is occurring across the study area with a view to short-medium term redevelopment. Developer consultation indicated that 'whole block' consolidation is needed for development feasibility within current height controls across much of the study area.

Therefore, the extent to which the maximum theoretical floorspace capacity can be delivered will depend on a wide range of property decisions, and actual delivery of floorspace is likely to be somewhat less than the capacity over the planning period.

It is also important to note that the study area is expected to accommodate a range of land uses, including retail, residential and commercial office space, increasing competition for suitable sites. The planning assessment in Section 8 considers the implications of the type, scale and location of development capacity relative to projected demand.

7. ANALYSIS

7.1. INTRODUCTION

This section assesses the implications of the previous sections for economic and planning decisions regarding the future role and development within the study area.

7.2. SWOT ANALYSIS

Table 39 summarises the strengths, weaknesses, opportunities and threats for South Melbourne relating to:

- Location and access;
- Amenity;
- Built-form attributes;
- Land use and development; and
- Economic role and specialisation; and
- Macroeconomic and property market conditions.

The SWOT analysis is informed by findings from research, analysis and consultation.

T39. SWOT ANALYSIS, SOUTH MELBOURNE

Strengths	Weaknesses
<p>Location – proximity to central city, Arts precinct and urban renewal precincts. Smaller businesses value proximity to CBD but prefer a city fringe base.</p> <p>Retail amenity – High-quality hospitality and specialty food offer (especially South Melbourne Market) that is attractive to workers, residents and visitors.</p> <p>Mix of uses – the area has a genuine mix of land uses, a factor referenced by many consultees as a strength of the area and a reason for the vibrancy of the public realm and many businesses, especially in the Market precinct.</p> <p>Scale and type of built form – Low to mid-rise building heights that encourage a vibrant and activated street-level environment and mitigates overshadowing and other issues associated with high-rise buildings. Heritage elements in many parts of the study area are highly valued.</p> <p>Both mature and emerging industry agglomeration – well established and specialised media cluster, emerging gaming and technology cluster, each creating synergies and business value.</p> <p>Strong demand and investment environment – A growing business and employment base, rent increases (office) and leading hospitality businesses indicate a high demand environment – this is leading to substantial reinvestment and development which is progressively providing new premises and attracting leading businesses.</p>	<p>Lot sizes – C1Z and C2Z areas generally consist of smaller lot sizes, and there is a limited availability of larger sites (>1,000 sqm). This means that larger-scale redevelopment is slower and more challenging, given that site consolidation is often required.</p> <p>Capacity – DDO8 applies to most non-residential land in the study area and seeks to protect the low to mid-rise built form scale. Whilst the built-form scale is recognised as a strength, developers consider the restrictive controls as a weakness which limits the extent to which the potential of the precinct can be realised.</p> <p>Fixed rail – Whilst the study area is a central location that is accessible via road and tram, fixed rail access does not yet exist and is a perceived weakness compared with some other city fringe office precincts. The new train station under construction at ANZAC will deliver a train station proximate to the south-eastern boundary of the study area. Rail is both a current minor weakness and major opportunity for the study area.</p> <p>Affordability – As land values and rents increase, affordable spaces for business such as offices, studios, shop fronts and industrial premises reduce. For some creative and emerging businesses, this challenge leads to relocation elsewhere.</p> <p>Safety – several consultees noted public safety concerns, especially east of Clarendon Street.</p> <p>Night-time economy – the night-time economy current performs a tertiary role in the study area. There is a lack of</p>

Access - The accessible nature of South Melbourne was identified as an advantage for businesses, with access via road and tram. The opening of ANZAC station will provide fixed rail access proximate to the study area, bringing further accessibility.

night-time activity (e.g. restaurants, bars, retail) to serve residents, workers and visitors.

Congestion – Transport congestion for workers, residents and visitors can be an issue, particularly during peak times. This is, however, a common weakness for inner Melbourne Enterprise Precincts (e.g. Cremorne, Fitzroy/Collingwood).

Opportunities

Potential for intensification – Remnant industrial and commercial sites present opportunities for employment and land use intensification in a high demand environment – this is a rare opportunity within close proximity to the CBD.

Strong population growth in surrounding areas – urban renewal areas will substantially increase the population and labour force within proximity to the study area. This creates the opportunity to expand and continuously improve the retail offer while ensuring that existing non-food retailers are supported during challenging economic conditions.

Facilitate a differentiated, street-based activity centre – the strong demand environment and clear support for low-mid rise, street based activity centre creates the opportunity to maintain and enhance the role and brand of the study area as a differentiated activity centre with obvious scale and land use mix differences to nearby 'generic' urban environments.

There are also opportunities for placemaking, activation and urban design programs to further enhance street-based activity and vibrancy.

Capitalise on agglomeration benefits and creative sector investment – Victoria continues to invest in creativity and culture. Existing agglomerations in media and creative businesses are well aligned to one of Melbourne's competitive advantages. There is the opportunity to continue to support and add value to these sectors.

Access – Increased public transport access through the proposed ANZAC station creates the opportunity to accommodate greater employment and business growth in the south-eastern section of the study area given the major access improvements to a broader skilled labour force across the rail network.

City fringe office popularity – city fringe offices are increasingly attractive to businesses and workers, especially small and medium businesses. This is well suited to the existing profile of South Melbourne where businesses are relatively small and weighted towards creative and professional services. There is an opportunity to continue to facilitate commercial floorspace growth to further strengthen the role of South Melbourne as a place of business that is attractive to workforce talent.

Threats

Structural shifts – the pandemic led to, and accelerated some structural shifts, including online retailing and remote working. Given the importance of the local workforce and shopping role of the activity centre, any further changes in these sectors could impact the overall vitality and success of the activity centre.

Affordability and availability of rental premises – increasing rents and redevelopment of existing rented premises presents a threat to the retention of micro and small businesses, especially those using former industrial premises. The loss of smaller businesses at the 'emerging' end of the business cycle could limit local ideas creation and business and productivity growth.

Competition from nearby areas and other Enterprise Precincts for investment, including recent office market supply – substantial alternative locations are now able to be developed in surrounding areas. This includes greater competition for business investment from the Montague Precinct in Fishermans Bend, as well as other Enterprise Precincts such as Cremorne, Arden and Macaulay. These precincts have similar locational and built-form characteristics to South Melbourne that will attract professional, creative and knowledge-based sectors.

Loss of economic specialisations – under current zoning, there is a risk that existing specialisations in media are weakened if former industrial style premises are progressively converted to general office space.

However, new office development may increase the appeal and competitiveness of South Melbourne as a dedicated office precinct for 'knowledge' sectors, particularly as competition from Fishermans Bend and other Enterprise precincts continues to present a challenge.

Erosion of valued built-form character – the low-mid rise built form and heritage character underpins the popularity of much of the study area for visitors, workers and businesses. Any substantial changes to this as a result of site consolidation and unsympathetic redevelopment could risk eroding one of the fundamental advantages of the location which drives economic vitality and differentiation.

Source: Urban Enterprise.

7.3. ECONOMIC OBJECTIVES

South Melbourne is a location of economic advantage. The primary economic objective of future planning for the precinct should be to **maintain a prosperous activity centre and business precinct while ensuring that the area progressively responds to changing market conditions and the growing needs of the surrounding population.**

The next phase of South Melbourne's development will be closely influenced by the evolution of nearby precincts including Fishermans Bend, Domain and Southbank. Each precinct will take on its own particular role in enabling economic activity, and if planned carefully, each can be complementary (and well connected) to each other.

In this context, the following economic objectives for South Melbourne have been designed to celebrate and capitalise on the characteristics which differentiate the location from other areas, while ensuring that additional capacity for reinvestment and expansion is available to respond to growth and enable ongoing regeneration of the area.

Economic Objectives

1. Protect and enhance local strengths such as heritage, low-mid rise built form and genuine mix of land uses.
2. Retain and grow specialisations in hospitality and specialty food.
3. Capitalise on the popularity of the South Melbourne Market to create a thriving street-based retail precinct.
4. Provide additional core retail floorspace to meet the needs of the growing resident, worker and visitor catchment.
5. Support non-food retailers to respond to online and other competition.
6. Accommodate projected employment growth and ongoing demand for office space, especially in small and medium premises.
7. Support and grow the value of the agglomeration of media businesses, including through the retention of suitable premises where possible.
8. Provide opportunities for ongoing reinvestment, mixed use development and new employment floorspace in areas proximate to public transport, especially within walking distance to ANZAC Station.
9. Improve safety, activation and diversity of uses east of Clarendon Street.
10. Provide a range of affordable business spaces which suit micro, small and medium businesses.

7.4. KEY SUB-PRECINCTS AND INTERFACES

The following commentary relates to the role of the study area in relation to:

- The Enterprise Precinct, and how its role can be enhanced and capitalised on for economic benefit;
- Land within proximity to ANZAC Station and associated economic opportunities; and
- The interface and relationship between South Melbourne and the Fishermans Bend Urban Renewal Area.

7.4.1. ENTERPRISE PRECINCT

The South Melbourne Enterprise Precinct offers an employment location with distinct characteristics that can support economic growth and development. The setting, characteristics of buildings and public realm and business mix varies throughout the Precinct, however, and planning should consider ways to capitalise on areas of strength and address areas of weakness to optimise the value of the Precinct.

Strengths and weaknesses have been considered by assessing the Precinct against the criteria and key measures that underpin the success of an Enterprise Precinct based on the *Unlocking Enterprise in a Changing Economy* (2018) paper. Table 40 describes each criteria and identifies relevant indicators to measure success.

South Melbourne rates high for quality of place, critical mass, infrastructure and accessibility. Comparatively, the area rates low for affordability and moderate for anchor institutions and competitive advantages.

T40. ENTERPRISE PRECINCT CRITERIA

Criteria	Description	Indicators / measures	Rating ¹
Affordability	A diversity of affordable premises for business to occupy.	Business premises rents.	Low
Collaboration	Networking and interaction between workers and firms.	Rate and location of interactions.	Medium
Competitive Advantage	Industry and/or location strength and area of specialisation.	<ul style="list-style-type: none"> - Research and Development spending - Clustering and agglomeration. - Alignment of research spending and commercialisation with economic specialisations. 	Medium
Anchor Institutions	Presence of research organisations or large corporates which help with critical mass and resourcing.	Number of research and large corporate organisations	Medium
Critical Mass	Geographic concentration of firms within the same or related industry sectors (level of specialisation)	<ul style="list-style-type: none"> - Jobs and jobs density - Residents - Businesses - Anchor institutions - Agglomeration - Research and Development spending 	High
Quality of Place	High-quality urban environment with well-established amenity and services required to attract and retain firms and workers.	<ul style="list-style-type: none"> - Number of hospitality and dining businesses/jobs - Public open spaces - Pedestrian links - Pedestrian counts 	High
Accessibility	Accessibility to labour force and other firms.	<ul style="list-style-type: none"> - Presence and nature of road, rail and active transport links. - Location of workers. - Access to labour force pool in the region. 	High
Infrastructure	Availability of critical and enabling business infrastructure (e.g. utilities, ICT infrastructure and building stock)	<ul style="list-style-type: none"> - Presence and quality of business infrastructure such as premises, utilises and ICT. 	High

Criteria	Description	Indicators / measures	Rating ¹
Diversity and Inclusion	Economically diverse and inclusive place that provides a broad range of employment opportunities	<ul style="list-style-type: none"> - Resident ethnicity - Employment participation rate and local jobs - Local skills and qualifications and alignment with industry specialisations. 	Not assessed

Source: Unlocking Enterprise in a Changing Economy, 2018, derived by Urban Enterprise 2022.

Note 1: Ratings from *Analysing Melbourne's Enterprise Precincts*, 2018.

The following commentary expands on the Enterprise Precincts Success Criteria based on the findings of this study. Several criteria are interrelated and are considered together.

Affordability and Collaboration

Criteria:

- A diversity of affordable premises for business to occupy.
- Networking and interaction between workers and firms.

Relevant Study Findings:

- South Melbourne continues to become less affordable for businesses, a trend which is leading to some creative businesses being displaced.
- A good diversity of premise types is available in the study area, including retail, commercial of a variety of quality levels, showroom and industrial. The diversity of premises will continue to reduce as land in the Precinct is redeveloped, primarily for office space.
- There are several co-working spaces operating in South Melbourne, which provide a more affordable and flexible option for micro and small businesses compared with traditional premises. Co-working spaces also provide collaboration benefits through interaction and networking.
- Several business consultees noted that a key reason for locating in South Melbourne was the network and agglomeration of comparable businesses.

Implications:

- The affordability of business space is likely to be an ongoing weakness and challenge for the Enterprise Precinct.
- Co-working spaces should be encouraged, to achieve both affordability and collaboration objectives.
- Accommodating an increased density of businesses and jobs in the Enterprise Precinct can increase opportunities for collaboration, however it is important to ensure that a range of different premise types are available across the area.
- Overall office space affordability can be assisted by the provision of adequate opportunities for new space development, mitigating the risk of unmet demand and associated strong rent growth.

Critical Mass, Competitive Advantage and Anchor Institutions

Criteria:

- Industry and/or location strength and area of specialisation.
- Presence of research organisations or large corporates which help with critical mass and resourcing.
- Geographic concentration of firms within the same or related industry sectors (level of specialisation)

Relevant Study Findings:

- The Precinct's concentration of creative (especially media related) businesses is a particular strength, along with other concentrations of design and professional services.

- In many cases, specialised businesses are located in both the Enterprise Precinct and the Major Activity Centre, pointing to one of the greatest strengths of the area in terms of the variety of complementary sub-precincts and a range of premise types.
- Parts of the broader study area have high overall employment densities, creating a critical mass of businesses and workers and supportive conditions for associated businesses such as hospitality.
- No major institutions or research organisations are located in the Enterprise Precinct, a relative weakness against this criteria, however proximity to the Melbourne Arts Precinct is considered a moderate strength and the proposed University of Melbourne engineering and design campus in Fishermans Bend will be proximate to South Melbourne, potentially creating further demand for related businesses in South Melbourne.

Implications:

- Specialisation and geographic concentration is a strength, however any ongoing decreases in the availability of former industrial spaces has the potential to reduce specialisations relating to music and video.
- The lack of anchor institutions is likely to remain a weakness, however new large format office buildings are providing opportunities for major businesses to anchor the next generation of business and jobs growth. Activision is a prime example.
- The critical mass of businesses and activities is likely to be strengthened as population in the vicinity grows if space for new businesses is available. It is important that land in the Enterprise Precinct can continue to accommodate growth and intensification which may require moderate increases to built form controls.
- Planning for South Melbourne should highlight and seek to support creative industry specialisations, while acknowledging that these businesses occupy a wide range of premise types.

Quality of Place

Criteria:

- High-quality urban environment with well-established amenity and services required to attract and retain firms and workers.

Relevant Study Findings:

- Quality of place is a major advantage of South Melbourne overall, drawing primarily on hospitality and specialty food offer (especially the South Melbourne Market and surrounds). Quality varies throughout the activity centre and Enterprise Precinct, however. For example, dense mixed-use areas west of Clarendon Street offer a high quality of place, whereas parts of the Enterprise Precinct east of Clarendon Street have considerably lower public realm quality and lower amenity for workers and visitors.
- South Melbourne's overall mix of land uses is a further strength of the area and a key factor driving a vibrant public realm with a variety of day-time activities and visitors to the place. Night-time activity is relatively limited, however, and public safety concerns were noted by consultees.
- The availability of major activity centre uses adjacent to the Enterprise Precinct provides substantial benefits to businesses in the Enterprise Precinct, including business services, retail, hospitality and opportunities to collaborate with businesses in the same supply chain or field.
- The scale and character of the built form environment in the Enterprise Precinct and MAC primarily consists of low to mid-rise building heights that is valued by businesses seeking a human scale environment free of overshadowing that is differentiated from other inner city employment precincts. Heritage elements in many parts of the area are highly valued.

Implications:

- Existing strengths in terms of quality of place, built form and heritage are critical to the economic success of the Enterprise Precinct and MAC combined and should be maintained and enhanced as a priority.

- Improving the public realm and overall 'quality of place' in eastern parts of the Enterprise Precinct should be a focus of strategic planning, including encouragement of hospitality and business services and investment in public realm elements such as pedestrian infrastructure and local open spaces.
- In many cases, new development which is carefully designed to maintain existing strengths can achieve improved place quality outcomes, warranting consideration of a moderate increase in built form controls in the Enterprise Precinct to ensure opportunities for redevelopment and intensification exist.
- Good public transport accessibility and a strongly increasing surrounding population catchment should improve demand conditions which support a greater role of the night-time economy in South Melbourne. Although this is more relevant to the MAC than the Enterprise Precinct, benefits would flow to both parts of the study area.

Access and Infrastructure

Criteria:

- Accessibility to labour force and other firms.
- Availability of critical and enabling business infrastructure (e.g. utilities, ICT infrastructure and building stock).

Relevant Study Findings:

- The area is highly accessible to skilled labour in Port Phillip. The local labour force is projected to increase strongly in nearby urban renewal precincts.
- Businesses in the Enterprise Precinct have excellent access to local firms in the MAC and to the major business base in the Melbourne CBD, Southbank and St Kilda Road. Proximity to a substantial client base in the CBD was regularly noted by businesses as a key location advantage of South Melbourne.
- There is a range of business premises available across the precinct and no issues noted in terms of infrastructure.
- Public transport is a strength and further improvements are proposed. Trams are being redirected from St Kilda Road via Park Street and Clarendon Street which will enhance public transport accessibility of the area. ANZAC station will provide fixed-rail access near the Enterprise Precinct which will substantially improve the accessibility of the eastern section of the Enterprise Precinct.

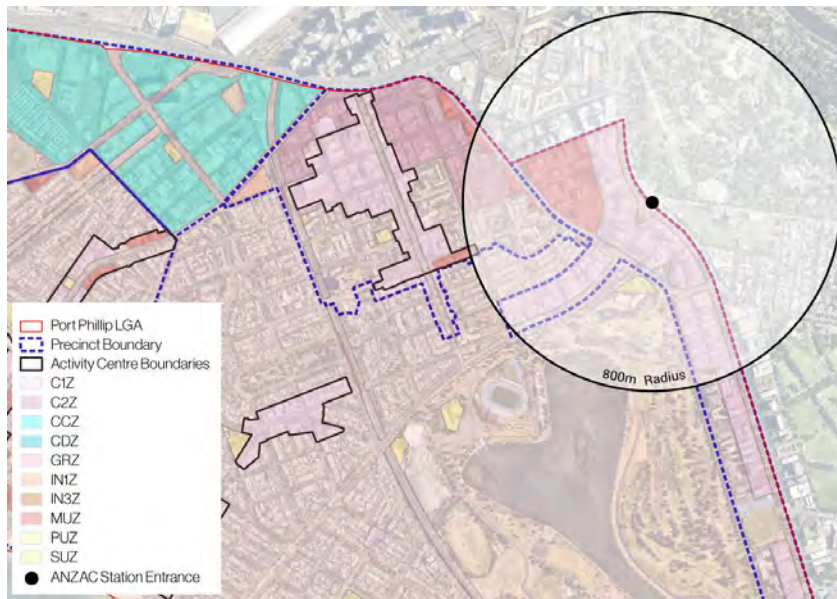
Implications:

- South Melbourne's strengths in accessibility will continue to improve, especially once ANZAC Station is complete. Maintaining and strengthening the accessibility of the precinct for residents, workers and visitors should be a focus of planning, especially improving safe and direct local movement (active transport) connections between the Enterprise Precinct and nearby areas, including the MAC, Domain, Southbank and ANZAC Station.

7.4.2. ANZAC STATION PRECINCT

ANZAC Station is expected to open in 2025, providing heavy rail public transport to the South Melbourne and St Kilda Road areas for the first time. Figure 42 shows that the south-eastern section of the Enterprise Precinct will be within 800m (a standard measure of 'walking distance') from the station entrance. This includes land in the Commercial 2 Zone as well as the Mixed Use Zone fronting Kings Way.

F42. ANZAC STATION LOCATION AND PROXIMITY TO STUDY AREA



Source: Urban Enterprise.

As noted earlier in this report, the Business Case for the station refers to the substantial economic benefits associated with the delivery of the station. These primarily relate to the opportunity for businesses to locate in proximity to the station to capitalise on the major increase in the number of workers who can access the location in a reasonable commuting time via public transport.

An assessment which informed the Melbourne Metro Rail Project Environmental Effects Statement process²⁵ found that the station is “expected to improve the accessibility and relative attractiveness of the precinct” which is “expected to result in a change in the property mix of the immediate area” where “a higher proportion of commercial offices and premises would now be expected close to the station.” This was projected to result in an increase in employment by 813 jobs in the immediate vicinity due to the station, an area which is mostly confined to land within 200m – 300m from the station entrance.

The Victorian Government’s Value Creation and Capture Framework (VCCF, 2017) identifies that substantial value can be created through the government’s capital investments, including increasing the value of land and businesses in the vicinity of the investment and improving access to economic opportunities (e.g. jobs and education). The VCCF notes that Melbourne Metro will deliver benefits across most of Melbourne’s rail network making it easier to move around the city and enhancing access to jobs, education, health and culture.

Infrastructure Victoria²⁶ note the impact of infrastructure investment on nearby land values and reference London’s CrossRail project which was expected to result in capital values in the areas around central London stations rising “by 35 per cent for residential properties, and 27.5 per cent for offices, over and above an already-rising baseline projection.”

Planning for South Melbourne should have regard to the following opportunities associated with the station:

- ANZAC Station is expected to result in increased attractiveness and associated land value changes in the surrounding areas for a range of land uses, including residential, commercial and institutional.
- The areas surrounding the station include parkland and Victoria Barracks, while private land is mostly densely occupied. Domain is within the Mixed Use Zone, an area that is expected to accommodate substantial increase in residential population through redevelopment of remaining sites.
- Although the land that is most immediately proximate to the station’s entrances is not within the study area, the southern section of the Enterprise Precinct is expected to be a more attractive location for office-based

²⁵ Technical Appendix G: Business Impact Assessment, SGS Economics and Planning, 2016.

²⁶ Value Capture – Options, Challenges and Opportunities for Victoria, Infrastructure Victoria, October 2016.

businesses following the completion of the station. This could increase demand for commercial floorspace compared with baseline projections. It is important that the South Melbourne Structure Plan has regard to this possibility by identifying areas which are likely to be suitable for densification of employment floorspace, especially land south of Coventry Street in the C2Z and MUZ.

- Active transport connections from ANZAC Station to and through the study area will be important to enable efficient movement of people (especially workers) through the area. Kings Way is a major barrier to active transport movement – ways to alleviate this barrier to movement should be considered as part of the Structure Plan.

7.4.3. FISHERMANS BEND INTERFACE AND RELATIONSHIP

The economic role of South Melbourne will be influenced by the redevelopment of land in Fishermans Bend, especially the adjacent Montague Precinct. As noted earlier in this report, the Fishermans Bend Framework Plan envisions that the Montague precinct will include co-working spaces, small creative businesses and studios in adapted and re-used heritage buildings as part of an activity core which is expected to accommodate 4,000 jobs within mixed use developments.

The eastern part of Montague has height controls generally ranging from 6-12 storeys, similar to some parts of South Melbourne but substantially lower than the prevailing and expected heights of other nearby precincts such as Southbank, St Kilda Road and core areas of Fishermans Bend. The lower scale of development and opportunity for a fine grain mixed use environment is likely to be attractive to smaller businesses and other business types (such as creative industries) which typically prefer these location characteristics if a highly amenable precinct can be established. In this way, parts of Montague could attract similar business types to those located in South Melbourne.

Planning policy specifies an overall dwelling density for the Montague Precinct of between 296 and 450 dwellings per hectare and a minimum non-residential Floor Area Ratio of 1.6:1. This is expected to facilitate 124,000sqm of non-residential floorspace and approximately 24,000 residents. When compared with the estimated 330,000sqm of employment floorspace in the study area and 3,400 residents, it is evident that:

- Montague is planned to become a far more dense residential area than South Melbourne;
- Once core retail is taken into account, the remaining commercial floorspace that must be delivered to meet minimum planning requirements will be significantly less than the commercial floorspace in the study area; and
- There is likely to be a greater business focus in Montague on meeting the needs of the dense local resident base than areas such as the South Melbourne Enterprise Precinct, however the strategic business location will also attract a range of businesses seeking office space proximate to the CBD.

Although new business space in Montague will compete with spaces in South Melbourne for tenants, the availability of new office spaces will effectively result in an extension of the mid-rise, mixed use setting from Clarendon Street in the east to the Port Melbourne Light Rail in the west. This is likely to strengthen the critical mass of businesses, residents and labour in the area.

In the medium to long term, high density office development is expected to occur in the Sandridge Precinct, approximately 1.5km west of the study area. New office space in this area will create a level of competition for tenants with South Melbourne, however the high rise setting is expected to attract a different range of business types (similar to existing CBD and Docklands business types) compared with smaller businesses generally attracted to South Melbourne's lower rise setting and associated quality of place.

Economic implications to be considered as part of the Structure Plan are as follows:

- Redevelopment of land in Fishermans Bend and the associated reduction in industrial-type premises will increase the scarcity and importance of these premise types in the South Melbourne area. Planning should seek to retain a diversity of premise types in the study area.
- It is important to differentiate between the core area of Montague as a form of dense activity centre which will compete with the South Melbourne MAC and the balance of the precinct which is expected to primarily

accommodate dwellings. The South Melbourne Structure Plan should ensure that the MAC can continue to grow and improve its offer to maintain market share, particularly in terms of its specialisations in food retail, hospitality and showrooms.

- Physical connections between Montague and the study area should be strengthened, particularly for active transport, so that businesses and retailers in South Melbourne are easily accessible to residents and workers in Montague and elsewhere in Fishermans Bend.
- South Melbourne's future business role should be differentiated from that of the broader Fishermans Bend area wherever possible. This can be achieved by ensuring planning controls encourage a wide range of land uses in the activity centre and immediate surrounds and position the Enterprise Precinct and the last remaining 'business only' land area in the southern city fringe.
- Built form controls for South Melbourne should seek to differentiate the area from the high density Sandridge core so that different business settings are available to a range of business types over the medium – long term.

8. PLANNING ASSESSMENT

8.1. INTRODUCTION

This section, prepared by Echelon Planning, assesses the strategic and statutory planning framework that applies to the study area, including:

- An assessment of the implications of the existing planning policy framework and supporting strategic plans which apply to the study area;
- An assessment of the implications of the economic analysis;
- A comparative analysis of the different land use zoning that might potentially be applied to facilitate the realisation of the employment aspirations set out in State and local planning policies for the Enterprise Precinct; and
- A summary of the key planning matters that need to be addressed in response to the planning policy and economic analysis, including key findings.

8.2. KEY ASPECTS OF STATE/LOCAL PLANNING POLICY AND PLAN MELBOURNE

The existing planning policy framework and supporting strategic plans which apply to the study area are summarised in Chapter 2 of this report.

The study area is relatively unique in that it is one of only three locations in inner Melbourne identified in Plan Melbourne and related strategies as performing a dual role of a Major Activity Centre (MAC) and an Enterprise Precinct.²⁷

The key elements from the existing policies and plans that frame the assessment of potential planning scheme responses to the economic and employment analysis contained in this report are as follows:

- The role of South Melbourne as a Major Activity Centre
- The role of South Melbourne in catering for housing growth
- The role of South Melbourne in supporting jobs and business growth.

Each of the above elements are described below.

SOUTH MELBOURNE'S ROLE AS A MAJOR ACTIVITY CENTRE

Both State Planning Policy and Plan Melbourne seek to build up activity centres as places with a focus for business, employment, shopping, working, leisure, community facilities and higher density housing.²⁸

The draft Inner Metro Land Use Framework Plan (LUFP) provides a nuanced description of future role and strategic opportunities for South Melbourne as both an activity centre and a location for employment, as follows:

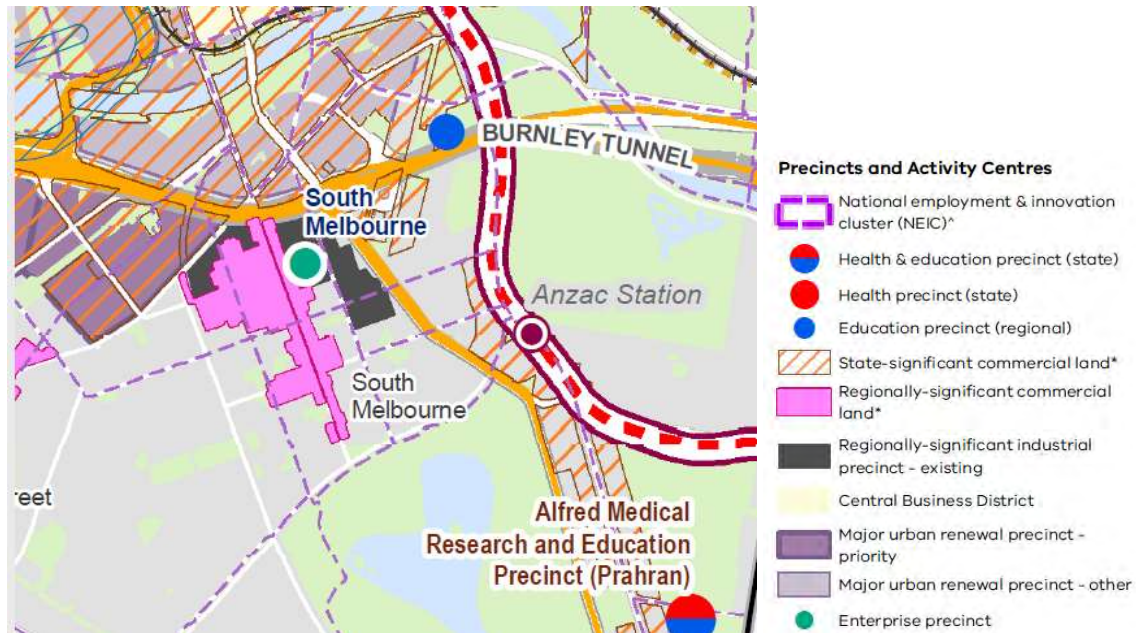
- Provide a unique urban village character and street life, while the number of residents, workers and visitors continue to grow;
- Support existing industry clusters and further develop profile as a location for employment and creative industries;
- Provide a variety of land uses to integrate social, cultural, economic and environmental outcomes;
- Provide a mix of housing types and affordability; and
- Improve access and economic links between the creative clusters of South Melbourne and the Southbank Arts Precinct.

²⁷ The other two locations are Gipps St, Collingwood, and Cremorne. The relevant State planning strategies where this outcome is referenced is MICLUP and the draft Inner Metro. Land Use Framework Plan.

²⁸ SPP, clause 11.03-1S, Plan Melbourne, Policy 1.2.1

The spatial relationship between the key land uses contained in the Inner Metro LUF is shown at Figure 43. This figure separately shows the extent of the regionally significant commercial and industrial land and the designation of the area as an 'enterprise precinct' (noting that this is not spatially defined under this plan).²⁹

F43. INNER METRO LUF DESIGNATION OF THE SOUTH MELBOURNE MAC AND ENTERPRISE PRECINCT



Source: Inner Melbourne Land Use Framework.

SOUTH MELBOURNE'S ROLE IN CATERING FOR HOUSING GROWTH

Both State Planning Policy and Plan Melbourne support developing housing and mixed use development opportunities in Major Activity Centres.³⁰

SOUTH MELBOURNE'S ROLE IN SUPPORTING JOBS AND BUSINESS GROWTH

State Policy sets the following directions in relation to planning for commercial land:

- Plan for an adequate supply of commercial land in appropriate locations.
- Ensure commercial facilities are aggregated and provide net community benefit in relation to their viability, accessibility and efficient use of infrastructure.
- Locate commercial facilities in existing or planned activity centres.³¹

State Policy has been recently updated to required that consideration is given to the policy directions of MICLUP when preparing planning scheme amendments³². The following MICUP-related policies are relevant to the regionally significant commercial and industrial areas within South Melbourne:

Planning for employment:

- Support diverse employment generating uses, including offices, innovation and creative industries in identified areas within regionally significant industrial precincts, where compatible with adjacent uses and well connected to transport networks.

²⁹ MICLUP also designates these commercial and industrial land areas as 'regionally significant' and the extent of the area designated under both MICLUP and the Inner metro. LUF based on the Commercial 1 and Commercial 2 zone extents.

³⁰ PPF, Clause 16.01-2R, Plan Melbourne policy 2.2.3

³¹ PPF, clause 17.02-1S

³² Amendment VC215, gazetted March 2023

- Consider how land use change proposals can respond to local and regional employment demand or identify how it can be accommodated elsewhere.

Planning for industry:

- Support the retention of small-scale industries servicing established urban areas through appropriate zoning.
- Protect industrial land of regional significance.
- Support the transition from manufacturing land uses to other employment uses in strategically identified areas well connected to transport networks.

Plan Melbourne notes the following in relation to the potential for competition and conflict between residential and commercial activities:

“Increasingly, there is desire for activity centres and commercial areas to allow mixed-use development, including retail, commercial and residential. While this approach supports greater flexibility of uses, it can also lead to residential uses competing with commercial uses and employment opportunities. Once a commercial site is converted for a residential use, it is likely to be permanently lost to that market. Consideration needs to be given to ways in which commercial and residential development can be developed together.”⁶³

State planning policies (including MICLUP) direct that the regionally significant employment land within South Melbourne (i.e. the C2Z land) be retained to support a transition to a broader range of new and emerging types of businesses that require access to affordable and well-located land to grow.³⁴

The Inner Metro LUPF identifies the South Melbourne ‘Enterprise Precinct’ is a key economic strength for the region that presents opportunities to deliver employment growth.³⁵

It notes that this area already supports a media and post-production cluster, growing creative industries sector including game development, and professional services such as marketing and sales³⁶, and it encourages the continued development and intensification of this precinct as a key location for creative industry and other employment generating use.^{37 38}

Whilst the existing policies set out in the Port Phillip Planning Scheme for the study area³⁹ are based on a strategic plan which long pre-dates Plan Melbourne, a number of aspects of these policies continue to remain aligned to current state planning policy for MACs, commercial areas and enterprise precincts, particularly in relation to the following:

- The role of the South Melbourne MAC in delivering local and sub-regional shopping and services, supporting creative and knowledge based business, and moderate levels of housing growth;
- The role of the South Melbourne Enterprise Precinct in providing areas for intensive commercial activity, and in supporting creative and knowledge based business; and
- The importance of the locality’s unique urban village character and industrial built form heritage in attracting creative and knowledge based business and workers.

³³ ibid

³⁴ PPF, clause 17.03-3R & MICLUP, page 35

³⁵ LUPF, page 19

³⁶ LUPF, page 45

³⁷ LUPF, Strategy 16

³⁸ LUPF, Action 1 & Strategy 14

³⁹ Clause 11.03-1L-05

8.3. PLANNING IMPLICATIONS ARISING FROM POLICY AND ECONOMIC ANALYSIS

The following issues have been identified from the review of planning policy and the economic analysis contained in this report as matters that need to be addressed in the future planning of the study area:

- **Issue 1** - Defining the spatial extent of the Enterprise Precinct;
- **Issue 2** - Catering for forecast growth in the study area;
- **Issue 3** - Implications of built form controls on development potential
- **Issue 4** - Zoning and the diversity and vitality of land uses within the Enterprise Precinct;
- **Issue 6** - The potential to introduce accommodation activities into the Enterprise Precinct; and
- **Issue 6** - The need for affordable workspace in the South Melbourne Enterprise Precinct.

A number of findings are identified in relation to each of the above issues in the following pages.

ISSUE 1 - DEFINING THE SPATIAL EXTENT OF THE ENTERPRISE PRECINCT

Both MICLUP and the Inner Metro LUFPP articulate that the existence of an extensive area of employment land (defined by the C2Z) located adjacent to public transport and a range of activities along and adjacent to Clarendon Street is a unique land use setting which supports (and can continue to support) growth across a range of business and creative industry sectors.

South Melbourne is identified as one of only three 'enterprise precinct' locations in inner Melbourne that has such characteristics (alongside Cremorne and Gipps Street, Collingwood), and the Inner Metro LUFPP policies identify these locations as being these of particular importance for delivering economic and employment growth in the region.

Whilst neither MICLUP nor the Inner Metro LUFPP establish a definitive boundary for the South Melbourne Enterprise Precinct, the existing regionally significant employment land within the precinct (i.e. land in the C2 zone) forms its spatial basis.

Essentially, State Policy supports the intensification of a broader range of *business activities* in this 'enterprise precinct', and the retention of the land that is currently zoned C2Z and IN1Z as land *for business and employment purposes* (see Direction 5 from the Inner Metro. LUFPP and pp 33-37 of MICLUP for further guidance).

The land use economic analysis contained within this report identifies that the type of growth envisaged in the abovementioned policies for both the MAC and the Enterprise Precinct is in fact what is occurring, and that South Melbourne has the right broad pre-conditions to continue to support such growth in the future.

Findings and recommendations:

- **The economic evidence in this report confirms that the state policy directions for economic growth in enterprise precincts are currently being realised by land use and development activity within the study area, and that this is likely to continue to into the future.**
- **It is recommended that the spatial extent of the South Melbourne Enterprise Precinct be defined by land within the C2Z and IN1Z, and that future structure planning for the study area clearly identify the precinct.**

ISSUE 2 - CATERING FOR FORECAST FLOORSPACE GROWTH IN THE STUDY AREA

The land use demand forecast undertaken in Chapter 6 of this report has identified that South Melbourne is projected to experience additional demand for the following activities over the period 2023-2040:

- Up to 187,000sqm of employment (office and institutional) floorspace;
- Up to 21,000sqm of core retail floorspace; and
- 968 dwellings⁴⁰ (equivalent to 96,800sqm gross floorspace (@80sqm/apartment net));

The capacity analysis identifies that land within the study area has a potential capacity to deliver 360,700sqm floorspace if all properties that could be developed were developed to their full potential under the current planning controls (Table 38). The following should be noted in relation to this floorspace capacity:

- Whilst the capacity takes account of known development constraints, it cannot take account of future landowner intentions. It is almost certain that less than 100% of this capacity will be realised over the period to 2040, but what is not certain is what percentage of this capacity might be realised.
- The capacity that is available within the C1Z and MUZ will be required to meet future demand for a broader range of activities than the capacity within the C2Z and IN1Z. This is because:
 - The former zones allow a much wider range of activities to occur than the latter zones (including residential); and
 - State planning policy supports delivery of a wide range of activities within the C1Z and MUZ (including shopping, business, housing, health, education, leisure and community facilities) whereas this policy primarily supports business and related activity being located in the C2Z and IN1Z.

Given the current zoning of land within the study area (and current activity centre policy settings), it is expected that all of the dwelling floorspace and a significant proportion of the retail floorspace would be delivered in the C1Z and MUZ. It also is reasonable to assume that a proportion of the office and other floorspace would also be delivered on land in the C1Z and MUZ.

For the above reasons, it is necessary to first consider whether land within the C1Z and MUZ has sufficient capacity to meet forecast demand for retail, residential and commercial activities, and to then consider what planning responses might be needed if they do not.

Floorspace Capacity within the C1Z and MUZ

The capacity analysis identifies that land within the C1Z and MUZ has a potential capacity to deliver circa 160,700sqm GFA if all properties that could be developed were developed to their full potential under the current planning controls.

However as noted above, not all of the properties that could be developed within the C1Z and MUZ will be developed over the planning period, and of those that are, not all of them will necessarily be developed to their full potential under the current planning controls. There are many reasons for this, but they primarily relate to the wide range of land-owner circumstances, needs and motivations that influence their desire and/or ability to make their available for redevelopment.⁴¹ As noted in this report, land fragmentation is a particular challenge in the study area.

It is worth noting that many recent and proposed developments have exceeded the built form controls contained in DDO8 (in some cases considerably). Future developments that exceed these controls will provide additional floorspace capacity (over and above the capacity estimated in this report), but it is unlikely that the 'net' outcome of development in the study area over the forecast period will equate to the realisation of 100% of the theoretical development capacity within the precinct. This is partly because many of the larger sites within the study area have already been developed (or approvals have been granted), and the smaller size of the remaining sites present constraints on the ability of these sites to be redeveloped as taller buildings.

⁴⁰ Based on the Forecast ID projection of the need for 1,159 dwellings in the South Melbourne Small Area over the period 2021 – 2041, adjusted to 90% to relate to the 18 year planning period and to deduct 75 dwellings which are currently identified in the UDP as proposed within the 'small area' but outside the study area.

⁴¹ The typical factors that influence whether land is developed or not are described in Chapter 5 of the report 'Planning for a Productive Economy: A Discussion Paper' (Echelon Planning, 2018).

Table 41 identifies the available floorspace capacity within the C1Z and MUZ under scenarios where only 75% or 50% of the total available floorspace capacity is developed over the period 2023-40.

T41. FLOORSPACE CAPACITY AT 100%, 75% & 50% UTILISATION

ZONE	FLOORSPACE CAPACITY		
	100%	75%	50%
C1Z	124,300	93,225	62,150
MUZ	36,400	27,300	18,200
TOTAL	160,700	120,525	80,350

Source: Echelon Planning, based on Urban Enterprise.

Capacity to accommodate residential floorspace within the C1Z and MUZ:

Table 42 identifies what the remaining floorspace capacity would be in the C1Z and MUZ if all of the forecast dwelling floorspace referred to earlier in this chapter was delivered within these zones over the forecast period.

T42. CAPACITY WITHIN THE C1Z & MUZ TO ACCOMMODATE RESIDENTIAL FLOORSPACE FORECAST (SQM)

		100%	75%	50%
TOTAL FLOORSPACE CAPACITY		160,700	120,525	80,350
RESIDENTIAL FLOORSPACE DEMAND	96,810			
REMAINING FLOORSPACE CAPACITY		63,890	23,715	- 16,460

Source: Echelon Planning.

Table 42 illustrates that there is sufficient floorspace capacity to accommodate the forecast residential floorspace growth within the C1Z and MUZ if circa 75% of the available capacity is developed over the forecast period. It also identifies that if only 50% of the available floorspace capacity is developed over the forecast period then there would be insufficient capacity to meet the forecast residential demand over the forecast period.

Capacity to accommodate both residential and retail floorspace within the C1Z and MUZ:

Tables 43 and 44 explore the ability of the floorspace capacity within the C1Z and MUZ to meet the forecast demand for residential *and* retail uses over the forecast period.

Table 43 considers the floorspace capacity where *all* of the forecast residential and retail floorspace is accommodated within the C1Z and MUZ.

T43. CAPACITY WITHIN THE C1Z & MUZ TO ACCOMMODATE RESIDENTIAL AND RETAIL FLOORSPACE FORECAST (SQM)

		100%	75%	50%
TOTAL FLOORSPACE CAPACITY		160,700	120,525	80,350
RESIDENTIAL FLOORSPACE DEMAND	96,810			
RETAIL FLOORSPACE DEMAND	21,000			
COMBINED DEMAND	117,810			
REMAINING FLOORSPACE CAPACITY		42,890	2,715	-37,460

Source: Echelon Planning.

Table 44 considers the floorspace capacity where all of the forecast residential and *50% retail floorspace* is accommodated within the C1Z and MUZ. This scenario assumes that the remaining 50% of the retail floorspace demand can be met within the adjacent C2 and IN1 zones.

T44. CAPACITY WITHIN THE C1Z & MUZ TO ACCOMMODATE ALL RESIDENTIAL AND 50% OF RETAIL FLOORSPACE FORECAST (SQM)

	SQM	100%	75%	50%
TOTAL FLOORSPACE CAPACITY		160,700	120,525	80,350
RESIDENTIAL FLOORSPACE DEMAND	96,810			
50% RETAIL FLOORSPACE DEMAND	10,500			
COMBINED DEMAND	107,310			
REMAINING FLOORSPACE CAPACITY		53,390	13,215	- 26,960

Source: Echelon Planning.

Tables 43 and 44 illustrate that there is sufficient floorspace capacity to accommodate the forecast residential and retail floorspace growth within the C1Z and MUZ if circa 75% of the available capacity is developed over the forecast period. It also identifies that if only 50% of the available floorspace capacity is developed over the forecast period then there would be insufficient capacity to meet the forecast residential and retail demand over the forecast period.

Capacity to accommodate a combination of residential, retail and commercial floorspace within the C1Z and MUZ:

The land use demand forecasts contained in Chapter 6 of this report suggest that South Melbourne could experience demand for up to 187,000sqm of employment floorspace over the forecast period.

The above floorspace capacity analysis confirms that there will be very strong competition between residential, retail and commercial developers for floorspace within the C1Z and MUZ over this timeframe.

Table 45 identifies how much of the commercial floorspace forecast could be accommodated within the floorspace capacity of the C1Z and MUZ under a scenario where all of the forecast residential floorspace and 50% of the retail floorspace is accommodated within these zones over the forecast period.

T45. CAPACITY WITHIN THE C1Z & MUZ TO ACCOMMODATE COMMERCIAL FLOORSPACE (ASUMING ALL RESIDENTIAL AND 50% OF RETAIL FLOORSPACE FORECAST IS MET) (SQM)

		100%	75%	50%
TOTAL FLOORSPACE CAPACITY		160,700	120,525	80,350
REMAINING FLOORSPACE CAPACITY (AFTER RESIDENTIAL & RETAIL FORECAST IS MET)		53,390	13,215	- 26,960
TOTAL COMMERCIAL FLOORSPACE DEMAND	187,000			
% COMMERCIAL THAT CAN BE ACCOMMODATED IN C1Z & MUZ		28%	7%	0%

Source: Echelon Planning.

Table 45 demonstrates that if the C1Z and MUZ land is developed to cater for the forecast residential and retail growth, then there would be very limited opportunities to cater for commercial uses in these zones over the forecast period.

The following observations have been derived from the analysis above:

- Somewhere between 50 and 75 percent of the available floorspace capacity within the existing C1Z and MUZ areas will need to be redeveloped over the next 17 years just in order to meet forecast demand for retail and housing uses (excluding consideration of there being any additional office uses constructed in these zones over the period).
- The total combined forecast demand for retail, housing and office uses (304,810sqm) substantially exceeds the total floorspace capacity of the existing C1Z and MUZ areas (160,700sqm).
- If only 50% of the available floorspace capacity within the C1Z and MUZ is made available to meet the forecast demand for dwellings, retail and commercial activity over the period, it is likely that there will be very significant competition for sites between these activities, and the following range of outcomes might emerge:
 - Land in the C2Z and IN1Z will be in very high demand for commercial floorspace:
 - Land within the C1Z and MUZ will also remain highly sought-after for commercial floorspace. In the event that a large share of commercial floorspace is established within the C1Z and MUZ then not all of the forecast residential floorspace demand will be able to be accommodated within the C1Z and MUZ (noting that there are no other alternative locations within the study area for this demand to be met other than limited land in the Neighbourhood Residential Zone).
 - A proportion of the forecast retail floorspace demand may not be delivered within the C1Z and MUZ (noting that this use typically requires ground floor space, and that some forms of retailing activities (food and drink, restricted retail, supermarket and associated shops) can be delivered in the C2Z).

Under the current zoning regime, the extent to which residential, commercial and/or retail activities predominate will largely be determined by property market dynamics over time, as all of these uses are permitted on an 'as of right' basis under the C1Z.⁴²

As noted in Plan Melbourne, it is common for residential uses to 'crowd out' the opportunity for commercial uses in many activity centres. In many locations, the challenge facing councils is how to create more commercial floorspace⁴³. This does not appear to be the case in South Melbourne today where there is a strong market for commercial floorspace within the C1Z. The strong underlying demand for commercial floorspace in South Melbourne has meant (and is likely to continue to mean) that a reasonable share of the available floorspace capacity within the C1Z and MUZ will be developed for commercial purposes over the coming period.

This report forecasts strong future demand for a combination of retail, commercial and residential floorspace in South Melbourne over the coming years, and whilst there are some pandemic-related uncertainties it seems unlikely that demand for any one of these activities the Activity Centre core would substantially diminish over this period.

The consequence therefore would be that there is likely to be very strong competition for development sites for a wide range of activities on land within the C1Z and MUZ over the planning period.⁴⁴

The above assessment suggests that if 75% of the available floorspace capacity within the C1Z and MUZ is made available to meet the forecast demand for dwellings, retail and commercial activity over the period, then (at least theoretically) there will be sufficient floorspace within the C1Z and MUZ to accommodate the following outcomes:

- All of the forecast residential and retail floorspace demand;
- Circa 7% of the forecast commercial floorspace demand.

The analysis reinforces the critical importance of the C2Z and IN1Z in catering for future commercial floorspace needs.⁴⁵

⁴² Under the MUZ a permit is required for an office or a shop over 250 sqm & 150 sqm respectively, so the extent of the land use mix in this zone can be influenced by local policy choices to some degree.

⁴³ See for example the discussion on this topic in 'A Job in Moreland: The employment floor space we need now and in the future' (City of Moreland, March 2021).

⁴⁴ Noting that the large MUZ area on Kings Way is likely to be attractive for a different range of retail activities than in the C1Z along and around Clarendon St.

⁴⁵ Given that the commercial and industrial land surrounding the MAC plays an important role, as an enterprise precinct, it is our opinion that all of this land ought to be zoned C2Z. The remaining IN1Z is essentially a remnant of past zonings that applied across the precinct, and given the current and preferred future land uses for this area, there is little practical or policy purpose to be served by retaining this land in the IN1Z.

Any unmet demand for commercial floorspace in the C1Z and MUZ is broadly expected to be met on land within the adjacent C2 and IN1 zones. It should also be noted that the supply of larger sites within these areas is diminishing as many large sites have already been developed. The opening of ANZAC Station is also likely to generate additional demand for commercial development on land close to this station.

If residential and retail uses were to out-bid commercial uses for land within the C1Z and MUZ, then the result would be that there would be very limited opportunities to establish new commercial uses within these zones over the forecast period.

However, the strong underlying demand for commercial floorspace in South Melbourne has meant (and is likely to continue to mean) that a reasonable share of the available floorspace capacity within the C1Z and MUZ will be developed for commercial purposes over the coming period. This may mean that any un-met demand for residential floorspace might be displaced to other locations (such as Fishermans Bend, Southbank and St Kilda Road).

Any un-met demand for retail floorspace is likely to be displaced more locally into the IN1Z and C2Z areas that surround the activity centre.

Potential planning responses:

There are a number of potential planning responses to provide greater capacity and flexibility to cater for future growth in residential, retail and commercial uses within the study area.

This could be achieved by increasing the geographic extent of the C1Z and/or MUZ, amending the built form controls (DDO8) to permit more intensive development across the Study Area, introducing policy to support certain types of retail uses within the C2Z and IN1Z, or by a combination of the above measures.

It is understood the built form review for the Study Area has identified the potential to increase floorspace capacity by changes to the existing built form controls and policies. If this were to be implemented then this would at least partially address some of the capacity constraints described in the above analysis.

Whilst the option exists to rezone some of the C2Z land to C1Z as a means of providing greater capacity and flexibility to cater for future growth, the analysis does not suggest that this is a necessary step to take at this point, and in any event there are other ways of achieving a 'contingent' capacity and flexibility to cater for floorspace growth. This is discussed further below.

In relation to the need for contingency to cater for any potential unmet demand for residential growth in the South Melbourne Activity Centre in the future, it is important to acknowledge that not every activity centre has the same potential to accommodate significant population growth, just like not every activity centre has the potential to attract significant commercial development and jobs.

The following factors place some limits on its potential to accommodate substantial housing growth:

- The strong market demand for commercial floorspace on land within the C1Z has seen developers preference delivery of commercial space over apartments on many sites within the Activity Centre. This is a relatively unique market response when compared to other inner city activity centre locations.
- The activity centre is fringed in some directions by established residential areas comprising small terrace housing with heritage controls. This context limits the potential for increasing housing densities on residential land within walking distance of the Activity Centre.
- The activity centre is adjacent to a regionally significant employment precinct (the C2Z land). Whilst housing is not permitted on land within this zone, this area accommodates an employment base which is growing substantially, and is forecast to continue to do so in future years. This employment growth is of economic significance to the region and it also contributes to the economic vibrancy of the adjacent activity centre.

The co-location of the South Melbourne MAC with regionally significant employment land (the C2Z) places it in a different category to many other MACs. State policy recognises South Melbourne (together with Cremorne and Collingwood) as playing a specialised 'enterprise' role, and this needs to be given weight in determining whether to prioritise zoning land for employment vs residential purposes.

Land within the South Melbourne MAC and elsewhere in the study area has the capacity to accommodate additional housing growth, and future reviews of the built form controls for the centre may well create the potential

for further housing growth. This would be advantageous in the context of land use competition and relative land fragmentation.

It is not certain that residential development opportunities within the C1Z and MUZ will be 'crowded out' by commercial development (noting that in many other activity centre contexts the opposite is true). However, in the event that this were to emerge as an issue, then any unmet demand could be absorbed by nearby sites in Fishermans Bend, Southbank and St Kilda Road (all of which are identified for substantial residential growth).

There is likely to be a need for contingency to cater for any potential unmet demand for *retail growth* in the South Melbourne Activity Centre in the future, for the following reasons:

- Retail uses generally require ground-level floorspace in a street-based retail context such as South Melbourne. The opportunities to provide up to 21,000sqm of additional retail floorspace at the ground level within the existing C1Z and MUZ areas will be constrained by factors such as lot size and the need to allocate substantial parts of ground floor areas for parking access, services, foyers and lifts, etc.
- Any proposals to create larger retail uses such as a supermarket and specialty shops might find it difficult to find a site within the C1Z or MUZ that is suitable for such purposes, although smaller-format retail uses such as independent speciality shops, food and beverage outlets etc will typically be able to be accommodated at the ground level of multi-level buildings.

Whilst permits can be granted for a range of retail uses in the C2Z, current policies direct such uses into the MAC (i.e. the C1Z and MUZ). A clear policy framework is required to create flexibility and 'contingent' capacity for retail growth in the C2Z. This policy should guide what and where specific types of retail uses are supported within the C2Z and IN1Z areas.

If such policies were established within the planning scheme, then there would be no critical short term need to rezone C2Z land to C1Z to provide contingency for any potential future unmet demand for retail growth either.

Findings and recommendations:

- **Land within the C1Z and MUZ has a finite capacity to accommodate the expected residential, retail and commercial floorspace requirements over the forecast horizon. It is expected that there will be strong competition between each of these uses for development sites within these zones over the forecast period.**
- **Given the above, and the designation of South Melbourne as an 'enterprise precinct', land within the C2Z and IN1Z will play a critical role in catering for future commercial floorspace needs in South Melbourne, meaning that:**
 - **The existing C2Z land should be retained in order to support forecast growth in employment and commercial floorspace; and**
 - **The small area of IN1Z land in the north-west part of the study area should be rezoned to C2Z to support its future growth and evolution as part of the broader South Melbourne Enterprise Precinct.**
- **The analysis contained within this chapter does not suggest that there is a need to rezone land within the C2Z or IN1Z to the C1Z in order to create a 'contingent' floorspace capacity for residential or retail uses within the study area, as there are other options available to achieve this which should be considered. For example:**
 - **The review of the built form controls currently being undertaken by Council may result in an increase in the available capacity of land within the Study Area. Increased capacity would improve opportunities to accommodate forecast demand in the context of land fragmentation.**
 - **Specific forms of retail development could be encouraged within the C2Z. A policy framework should be developed to create flexibility and a 'contingent' capacity for retail growth in designated parts of the C2Z.**
 - **There are a number of other locations close to the study area that have the potential to cater for significant housing growth, and these areas have the potential to absorb any potential future unmet residential demand in the study area, should this need arise.**

ISSUE 3 - IMPLICATIONS OF BUILT FORM CONTROLS ON DEVELOPMENT POTENTIAL

Chapter 5 of this report identified that most larger sites in the study area have now been redeveloped and that achieving development at scale will be difficult without lot consolidation and/or changes to the existing built form controls. It noted that property representatives identified that whilst height controls are important to the retaining the mid-rise character of the area, they could potentially be increased to improve the prospect of intensification.

The implications of built form controls on future development capacity are discussed below.

The Port Phillip Planning Scheme contains extensive built form controls for the study area (DDO8). These controls are intended to deliver a range of urban design and architectural outcomes relating to:

- Preserving valued aspects of South Melbourne's heritage and physical character;
- Preserving and enhancing the amenity of streets (sunlight access on key pedestrian routes, openness and sky visibility, street activation, etc.); and
- Maintaining a distinction between the low to medium rise character of South Melbourne and high rise buildings in the CBD, Southbank and Kings Way.

The key findings contained in Chapter 3 of this report reaffirm that these characteristics are part of what gives South Melbourne its economic edge as a preferred location for creative industries and professional service firms. It notes the combination of lower scale, medium density, mixed use, high amenity and heritage buildings have been identified as creating a highly attractive and differentiated city fringe business location, and that these attributes are key attractors for small business and creative industries to locate here.

DDO8 seeks to preserve these physical characteristics by setting limits on building heights, street wall heights, upper level setbacks, sunlight protection standards and other measures.

Development industry representatives identified that the requirements of DDO8 currently make it challenging to deliver financially viable projects on smaller lots.

The consultation undertaken as part of this research has not identified any concerns with the intent of DDO controls (i.e. to preserve South Melbourne's heritage, physical character, amenity and low-rise nature). However, a suggestion was made that some locations with wider streets could potentially accommodate more intensive building forms than are currently permitted under DDO8, without materially impacting on the low-rise character of such areas. There is merit in testing whether or not this is the case as part of any review of the SMC Structure Plan and DDO8.

The scope of any such testing should not be to open up debate about the design objectives set out in DDO8 but rather to test whether there were any locations where alternative design standards could be applied which both satisfy these design objectives whilst also increasing development yields.

The scope of the review should also be confined to the specific design standards that directly impact on site yields (i.e. building heights, street wall heights and upper level setbacks).

Findings and recommendations

- **It is recommended that testing be undertaken to determine whether or not locations with wider streets could potentially accommodate more intensive building forms than are currently permitted under DDO8, without materially impacting on the low-rise character of such areas. The scope of any such testing should be limited to identifying potential locations where greater design flexibility might exist, and reviewing those specific design standards that directly impact on site yields (i.e. building heights, street wall heights and upper level setbacks).**

ISSUE 4 - ZONING AND THE DIVERSITY AND VITALITY OF LAND USES WITHIN THE ENTERPRISE PRECINCT

State Government employment policies identify the Commercial 2 Zone area functioning as an Enterprise Precinct which supports start-ups, entrepreneurs, creative industries, co-working spaces, and small-scale manufacturers⁴⁶. It identifies 'quality of place' as being one of nine factors that will drive the success of such precincts.⁴⁷

MICLUP also notes the following in relation to the preferred zoning of 'regionally significant' employment areas such as the South Melbourne Enterprise Precinct:

- The Commercial 2 Zone could be applied to precincts where a broader range of employment uses are desirable.
- The Commercial 3 Zone may also be applied to help facilitate business growth and innovation in select areas⁴⁸

The present-day pattern of land uses within the South Melbourne Enterprise Precinct (defined by the C2Z and IN1Z) derives from its long history as an industrial area, its inner city location, access to transport networks, and the broader economic changes that have influenced business activity across Australia.

The precinct's proximity to the Clarendon St shopping strip and South Melbourne Market has provided it with a 'quality of place' proposition that also differentiates it from any number of other older industrial areas across inner Melbourne. The introduction of incrementally more permissive zoning controls in the precinct over the past 20 years has also contributed towards the diversification of activities within the precinct.⁴⁹

As it stands today, the precinct accommodates high concentrations of creative industries and professional services businesses, and there are a wide range of supporting amenity-related uses across the precinct as well.

Notwithstanding these changes, the Enterprise Precinct does not offer the same level of diversity or vitality of land uses as land within the adjacent C1 zone. In particular, stakeholders have identified the lack of a night time economy as a significant shortcoming in the vitality of the place.

The question therefore arises as to whether an alternative zoning needs to be applied to the precinct to enable a wider range of land uses to support its function as an enterprise precinct, or whether the current zoning (combined with the precinct's adjacency to the core part of the South Melbourne MAC) is sufficient.

The Commercial 3 zone and residential development

The purpose of the Commercial 3 (C3) Zone is to (inter-alia) 'provide for a range of industrial, commercial, office and other employment generating uses which support the mixed-use employment function of the area'.

A further purpose of the zone is to 'provide the option for limited residential uses that do not undermine the primary employment and economic development focus of the zone'.

The C3Z contains a condition limiting the combined gross floor area of all dwellings and residential buildings on land to 35%. The percentage of residential use can be varied up to 50% or down to 0% via a schedule to the C3Z.

The question of whether or not to contemplate rezoning C2Z land to C3Z first requires consideration of whether or not there is a need or justification to introduce dwellings into the land currently zoned C2Z.

The earlier analysis in relation to issue 2 ('catering for growth') concluded that there was not a need to rezone any C2Z land to cater for forecast housing growth, and that the existing C2Z land should be retained in order to support forecast growth in employment and commercial floorspace.

Setting aside whether zoning in the C2Z areas should allow for housing to meet forecast demand, a further proposition that is often put is that enterprise areas should incorporate a mix of housing and employment in order to improve the diversity and vitality of a precinct. The C3Z is a potential tool to achieve this objective.

⁴⁶ Inner Metro LUPP

⁴⁷ 'Unlocking enterprise in a changing economy' Policy & MICLUP, page 20

⁴⁸ *ibid*

⁴⁹ The zoning controls have changed from a combination of industrial and business zones (1999) to the Business 3 zone (mid-2000s) then the Commercial 2 zone (2012 onwards). The C2Z enables a wider range of uses than its predecessors, including offices, manufacturing and industries, bulky goods retailing and other forms of retail uses.

A case could be made to introduce limited retail uses into areas currently in the C2Z, as a means of enhancing land use diversity and vitality. However, this would potentially have a substantial impact upon the capacity of the existing C2Z land to cater for forecast commercial floorspace growth, and it would be inconsistent with the current state policy requirements that designated enterprise precincts be retained solely for employment purposes.

State Policy (MICLUP) is very clear that regionally significant employment precincts should be retained and planned to allow a range of new and emerging businesses that require access to affordable and well-located employment land.

MICLUP states that such areas should be retained in an industrial or Commercial 2 zone, and that only in limited circumstances (and following an assessment of the role and function of employment land in the municipality and wider region), could the Commercial 3 Zone be applied.

The analysis contained elsewhere in the report assesses the role and function of the employment land flanking Clarendon St, as required by MICLUP. Its findings are that this area plays an important role in catering for employment, and that it will continue to be required to meet the future employment floorspace needs of the region in the coming decades.

On this basis, there is a prima-facie evidence-base for keeping all C2Z land within this zone to cater for forecast employment growth.

In addition to this it must be acknowledged that the land within the C2Z in South Melbourne is located within walking distance of significant urban amenity, including the South Melbourne Market, high street shopping, arts and culture, support services, bars, restaurants, cafes and so on.

It is also located within walking distance of various forms of accommodation, from townhouses and apartments through to hotels and serviced apartments. The adjacency of the Commercial 2 zone areas to Clarendon St and existing/planned medium-higher density residential areas to the north-west (Montague), north (Southbank) and east (St Kilda Road) provides excellent proximity to amenity and living options without there being a direct need to facilitate housing within the Commercial 2 land areas.

Its context is not dissimilar to other enterprise precincts (also zoned C2Z) in Cremorne and Collingwood in a number of respects.

It is therefore not necessary to introduce residential uses into land currently zoned C2Z in order for the location to achieve a level of amenity and vibrancy that supports its role as a destination for commerce. This is borne out by the historic and forecast demand for commercial floorspace within the C2Z.

Therefore, whilst the C3Z is assessed as a potential alternative zone to the C2Z later in this chapter, this is solely from the perspective of whether or not that zone would encourage non-residential uses that would lead to higher levels of amenity and vitality than the current zone over the longer term.

In other words, the following assessment is based on the assumption that if the C3Z were to be applied to land currently zoned C2Z, then it would be accompanied by a schedule that prohibits the use of land for residential purposes.

Assessment of zoning options to support the diversity and vitality of the South Melbourne enterprise precinct:

Whilst there is no formal definition of the land uses that are preferred within an Enterprise Precinct, the research that informed the *'Unlocking enterprise in a changing economy'* policy identified the range of business and workspace activities that such precincts are expected to typically accommodate, as well as the corresponding land use definitions under the Planning Schemes that aligns to them (Figure 44).⁵⁰

This research found that the majority of the activities undertaken under the banner of 'creative industry' fall within one or more of the following overarching land-use categories under the Victorian Planning Provisions:

- Education Centre
- Industry

⁵⁰ 'Melbourne's enterprise areas: catering for the new work order' (Echelon Planning, 2018), Chapter 6

- Office
- Place of Assembly
- Retail
- Arts and Craft Centre.

F44. BUSINESS AND WORKSPACE ACTIVITIES EXPECTED TO LOCATE IN AN ENTERPRISE PRECINCT

EMERGING WORKPLACE MODEL	CHARACTERISTICS	RELEVANT VPP DEFINITIONS
Curated Lifestyle Spaces	Office space integrated with recreation facilities, health facilities, restaurants, bars and cafes	Office
		Food and drink premises
		Restricted recreation facility
		Restricted place of assembly
Flexible Office	Curated office space made available to members on flexible terms and offering education, training, professional networking and social activities	Office (associated uses likely to be ancillary to this function)
		Potential Place of Assembly if the facility is frequently used by members of a social or professional club
Research & Development	A facility for creating new innovations in existing products/services/procedures or the discovery of new innovations that lead to the creation of new products	Research and Development Centre
		Research Centre (if only used for scientific research)
Artisan Manufacturing	Small-scale production manufacturing where design and production are integrated to create goods for sale	Industry
		Manufacturing Sales
Advanced Manufacturing	Manufacturing involving the application of new technology, improved processes, and management methods to improve the manufacturing of products	Industry
		Manufacturing Sales

Source: Melbourne's enterprise areas: catering for the new work order' (Echelon Planning, 2018).

This research also noted that allowing retail uses (including food and beverage) in enterprise areas can greatly enhance the amenity and vitality of such areas, but it also noted the following:

"The challenge is that such uses often generate higher rental return than the activity that enterprise areas are intended to support (e.g. creative industries, office space, small scale manufacturing, etc.). As such, there is a case for only allowing uses such as shops, food and beverage to be 'as of right' on a limited basis (e.g. via the use of floorspace limits)."

The status of each of the above land uses under the suite of available VPP zones is summarised in Table 46.

T46. POTENTIAL LAND USES WITHIN AN ENTERPRISE PRECINCT AND STATUS UNDER PLANNING ZONES

LAND USE		ZONE				
Broad land use category	Specific land use type:	C1	C2	C3	IN1	MU
Industry	All	Yellow	Green	Green	Green	Yellow
Office	All	Green	Green	Green	Yellow	Green
Arts & Crafts centre	n/a	Green	Green	Green	Yellow	Yellow
Education centre	Employment training centre	Yellow	Yellow	Green	Yellow	Yellow
	Tertiary Institution	Yellow	Yellow	Green	Yellow	Yellow
Place of assembly	All	Yellow	Yellow	Green	Yellow	Yellow
Research centre	n/a	Yellow	Yellow	Green	Yellow	Yellow
Retail	Food & drink premises	Green	Green	Green	Yellow	Green
	Shop (not including restricted retail)	Green	Yellow	Yellow	Yellow	Green
Accommodation	Residential hotel	Green	Yellow	Yellow	Red	Yellow

Source: Echelon Planning.

Legend: Green = As of right, Yellow = discretionary (permit required), Red = prohibited

The following is an assessment of the pros and cons of each of the above VPP zones in regard to its ability to support a wider range of enterprise uses and supporting amenity-related uses.

Commercial 1 Zone

Purpose:

- To create vibrant mixed use commercial centres for retail, office, business, entertainment and community uses.
- To provide for residential uses at densities complementary to the role and scale of the commercial centre.

Pros:	Cons:
Allows a full range of enterprise uses and supporting amenity-related uses	Allows 'as of right' residential and a wide range of retail and other uses that are not aligned to an 'enterprise precinct' function

Commercial 2 Zone:

Purpose:

- To encourage commercial areas for offices, appropriate manufacturing and industries, bulky goods retailing, other retail uses, and associated business and commercial services.

Pros:	Cons:
Allows a full range of enterprise uses and supporting amenity-related uses	Allows 'as of right' retail uses activities that are not directly aligned to an 'enterprise precinct' function (restricted retail, supermarket & shops)

Commercial 3 Zone:

Purpose:

- To provide for a range of industrial, commercial, office and other employment generating uses which support the mixed-use employment function of the area.
- To provide opportunities for limited retail uses which are complementary to the role and scale of the area.
- To provide the option for limited residential uses that do not undermine the primary employment and economic development focus of the zone.

Pros:	Cons:
Allows a full range of enterprise uses and supporting amenity-related uses, most on an 'as of right' basis.	Requires schedule to be applied to prohibit dwellings Sets max 35% site area for residential building use (including residential hotel) – in circumstances where allowing short-stay accommodation is considered to be appropriate to support the economic vitality of a precinct, limiting the floorspace to 35% in a context of a relatively low-rise precinct might render such uses unviable. However, in the case of South Melbourne, the C1Z and MUZ areas provide alternative locations for the establishment of such uses.

Industrial 1 Zone:

Purpose:

- To provide for manufacturing industry, the storage and distribution of goods and associated uses in a manner which does not affect the safety and amenity of local communities.

Pros:	Cons:
Allows a full range of enterprise uses and supporting amenity-related uses	A permit is required for most enterprise uses. Residential building use (including residential hotel) is prohibited (refer comments relating to residential hotels under the Commercial 3 zone)

Mixed Use Zone:

Purpose:

- To provide for a range of residential, commercial, industrial and other uses which complement the mixed-use function of the locality.
- To provide for housing at higher densities.

Pros:	Cons:
Allows a full range of enterprise uses and supporting amenity-related uses	A permit is required for many enterprise uses (including offices >250sqm) Allows 'as of right' dwellings use and wide range of retail and other uses that are not aligned to an 'enterprise precinct' function

Land within the periphery of the study area is located within the IN1Z and MUZ and consideration has been given to whether or not these are the most appropriate zones for these areas, given the business and employment policy aspirations for South Melbourne enterprise precinct.

The land within the IN1Z is primarily no longer used for industrial purposes (only 4 of the 22 sites in this area are categorised as industrial premises), and the area is essentially a remnant of the industrial history of the wider area. The area is not well connected to the core areas of the South Melbourne Activity Centre and is primarily used for office and showroom purposes. For these reasons, the C2Z is considered to be a more logical zoning to apply to this area.

The land within the MUZ along Kings Way comprises a mix of office, showroom and accommodation uses, at a range of building scales. The northern part of the precinct is located close to the Southbank Arts precinct, and the southern part of the precinct is close to the future ANZAC station. This area comprises a number of medium and large sites and DD08 provides for buildings ranging in height from 3-10 storeys (with the larger portion of the area having capacity for 10 storey development).

These factors, combined with the area's proximity to the Arts precinct and future ANZAC metro station present opportunities for the continued redevelopment of the area for a mix of office, residential and showroom type uses into the future.

The MUZ's adjacency to Kings Way means that this precinct does not offer the same level of amenity as land within the C1Z or C2Z, and it is likely to be a less desirable location for small businesses, start-ups and creative industries than the areas further to the west of this precinct.

The future building typologies that can be constructed in large portions of this area under the current built form and zoning controls (i.e. larger buildings to accommodate uses such as offices and apartments with showroom uses at ground level) are also not likely to be either affordable or attractive for small businesses, start-ups and creative industries.

For the above reasons, it is recommended that the planning policies and controls continue to facilitate a mix of offices, residential and showroom uses in this area. The existing MUZ is an appropriate zone to enable such uses to establish.

Findings and recommendations

- **The analysis has not identified any compelling need to apply an alternative to the C2Z in order to support a wider range of 'enterprise' and amenity-related land uses within the precinct. The current zoning (combined with the precinct's adjacency to the core part of the South Melbourne MAC) provides sufficient capacity for an appropriate range of land uses to establish within and adjacent to the precinct to support its intended 'enterprise' function.**
- **The Commercial 3 Zone (C3Z) has been considered as an alternative to the C2Z as part of this review. However, the C3Z is not recommended in part because there is no strategic need to allow accommodation uses within the enterprise precinct (see discussion under Issue 5 below) and there is also a need to maintain flexibility for the establishment of a range of retail uses within this area.**
- **The C2Z land should be retained in order to support the function of the employment areas surrounding Clarendon Street as an 'Enterprise Precinct'.**

ISSUE 5 – THE POTENTIAL TO INTRODUCE ACCOMMODATION ACTIVITIES INTO THE ENTERPRISE PRECINCT

State planning policy (and MICLUP in particular) makes it clear that regionally significant employment precincts must be retained and planned to support employment uses. It also makes it clear that precincts such as the South Melbourne Enterprise precinct are expected to transition to a broader range of employment opportunities offering a higher amenity to workers and economic vibrancy.

The question arises as to whether any forms of accommodation use would be appropriate within the precinct to support the amenity and function of the area as an enterprise precinct.

The research that informed the *'Unlocking enterprise in a changing economy'* policy identified that various forms of integrated living and working models feature in many international examples of enterprise precincts. The research described integrated living and working as being where accommodation is co-located with workplace, either in the one space or co-located within a single building. Examples included 'live-work' housing as well as managed short-medium term rental facilities within the same buildings as office and other types of workspaces.⁵¹ These might range from serviced apartments through to short-stay residential hotels. These are all forms of accommodation that could be considered to be potentially complimentary to the economic function of enterprise precincts.

From a zoning perspective, the C3Z has been drafted with the flexibility to allow limited forms of accommodation to be integrated into the development of individual buildings and sites. MICLUP identifies that the C3Z may be applied to regionally significant employment precincts to help facilitate business growth and innovation, and it notes that:

'complimentary yet limited...residential uses (may be contemplated) where these areas are considered appropriate to support enterprise to flourish'.⁵²

The C3Z applies a default maximum allowable gross floor area percentage requirement for residential uses of 35 per cent of the total gross floor area. This can be varied down to 'zero' percent or up to 50%, and the 'Applying the Commercial 3 Zone' Practice Note provides the following guidance on this subject:

"To apply a different maximum allowable gross floor area percentage requirement for residential uses, a strategic land use assessment should be completed which establishes why a different land use, economic and employment outcome is required to that permitted under the default zone...."

Determining what the right mix of uses is for a given locality will necessarily need to be informed by consideration of what is required to support economic vibrancy and diversity in the area.

Consideration should be given to current and emerging land use and economic trends in the locality, and the foreseeable market feasibility of relevant development models within that context.

If the overriding objective in employment areas is to retain affordable commercial and industrial floorspace and to increase the diversity and quantum of such floorspace, then it will be critical to tightly control the quantum of residential development in such areas.

In some instances, it may be necessary to prohibit residential use if allowing it is likely to have the effect of displacing commercial/ industrial floorspace or undermining the economic basis of the area. In other circumstances, the introduction of residential floorspace might enhance the vibrancy of an area, and stimulate investment in mixed-use developments that can deliver affordable commercial or industrial floorspace that might not otherwise occur."

⁵¹ 'Unlocking enterprise in a changing economy' (Echelon Planning, 2018) Chapter 3

⁵² MICLUP, page 20

Findings and recommendations:

- **The overriding objective in the South Melbourne Enterprise Precinct is to retain and increase the diversity and quantum of employment floorspace. It is therefore important that residential use continue to be prohibited in order to ensure that commercial floorspace is not displaced and that the economic basis of the area is not eroded.**
- **Given that future delivery of commercial floorspace in the South Melbourne Enterprise Precinct is already perceived to be constrained by a lack of larger development sites and the existing DDO controls, it is difficult to see how allowing dwellings into the precinct via the C3Z would assist in the goal of increasing the quantum and diversity of commercial floorspace within the precinct.**
- **Additionally, the location of the South Melbourne Enterprise Precinct places it in close proximity to areas where various forms of accommodation uses are permitted and encouraged.**
- **It is therefore recommended that the South Melbourne Enterprise Precinct be retained within a zone that does not permit the establishment of accommodation uses. For reasons outlined elsewhere in this report, the C2Z is considered to be the most appropriate zone to support the ongoing growth of employment and commercial floorspace within this precinct.**

ISSUE 6: THE NEED FOR AFFORDABLE WORKSPACE IN SOUTH MELBOURNE

The need to preserve and create affordable workspace in inner Melbourne is clearly established in recent state planning policy, as follows:

- The Plan Melbourne implementation plan commits to identifying opportunities for emerging creative industries to access affordable spaces.⁵³
- The Inner Metro LUPF identifies that there is a need to secure affordable workspaces for enterprise, start-ups and creative industries in the region.⁵⁴
- MICLUP makes a commitment to investigating options to preserve and create affordable workspace in inner Melbourne, and it contains a policy to support the development or re-use of buildings that provide affordable, flexible and innovative spaces for businesses.⁵⁵
- The State Government's enterprise precincts policy identifies the preservation and creation of affordable business premises as one of the key factors for the success of such precincts.⁵⁶

Whilst there is no formal policy definition of the term 'affordable workspace', its basic meaning can be described as one where the cost of accessing workspace is not too high for the business to sustain in the context of its other operating costs, revenues and need to generate a fair return on the business owner's investment of time, skills and capital.

Defining the level at which a commercial rent will become too high to sustain is not a straightforward task as the financial circumstances vary widely across different types of business and over time as businesses evolve from being start-ups to established entities.

For a start-up business, commercial rent on a premises (expressed as a percentage of their revenue) will be much higher than it is for an established business with predictable revenues. For a start-up business, the income spent on rent will be foregone income to its directors, money that can't be spent on the development of their product/service, or both.⁵⁷ For these reasons, start-ups are highly sensitive to rental costs, and these entities might elect to take out membership in a co-working space as a more affordable and (critically) more flexible option than taking on a commercial lease.

⁵³ Plan Melbourne Implementation plan.

⁵⁴ Inner Metro LUPF, page 27

⁵⁵ MICLUP, pages 32, 37

⁵⁶ 'Unlocking enterprise in a changing economy' Policy & MICLUP, page 20

⁵⁷ Whilst start-up companies are often measured by their market valuation rather than revenues in their early stages, they still need access to funds (be that investment capital or revenues) to be able to fund their operations.

In the case of many (but not all) people working in creative industries, they are often self-employed and earn very modest incomes from their endeavour. Incomes can be so low for many that the ability to rent any space at all is beyond their means, and so they operate from home, temporarily rent space, or share spaces with others in warehouses and other spaces in low-cost locations.

The research contained in this report identifies that office rent in South Melbourne today now often exceeds \$500/sqm for recently completed buildings in the study area, similar to the nearby precincts of St Kilda Road and Southbank.

Whilst the term affordability cannot be universally quantified, it will be the case for many start-ups, and at least some of those people working in creative industries, that the abovementioned rental costs are too high for them to sustain. This view is confirmed by the feedback from stakeholders that South Melbourne is no longer affordable for start-ups and certain types of enterprises working in creative industries.

Whilst the research has confirmed that South Melbourne has a significant number of small and medium enterprises and creative industry businesses, a significant majority of these businesses are well established with predictable revenues that enable them to sustain entering into commercial leases on the abovementioned terms. Higher rents are much less of an issue for these businesses than it is for start-ups and other less well remunerated creative workers.

This research has also confirmed that co-working spaces are now common in South Melbourne and that the predominance of micro and small professional businesses, coupled with high commercial rents, will continue to underpin demand for flexible office space. These facilities play an important role in providing flexibility for start-ups and SMEs, although their flexibility is arguably a more important feature than their affordability for these types of businesses.

However, the majority of co-work spaces do not cater for non-desk based activities such as various forms of creative arts, product prototyping, manufacturing and sales/distribution businesses. It is these types of activities that have been displaced from South Melbourne as rents have risen.

Given the above discussion, the question arises as to whether there is a need to introduce any form of affordable workspace policies or provisions into the Port Phillip Planning Scheme to address these issues.

Previous research undertaken by Echelon Planning and others on this topic has recommended that local governments adopt affordable workspace policies (including setting planning obligations to preserve and create affordable workspace) in locations where there is a shortage of low cost workspace.

This research distinguishes 'inclusionary' affordable workspace policies from 'value capture' policies, with the former being a requirement that applies to all future development within the defined area, and the latter operates as an opt-in value-share arrangement where permission may be granted for additional floor area on the basis of a contribution being made (as floorspace or 'cash in lieu") for affordable workspace.

The following general principles are suggested to guide when and how 'inclusionary' and 'value capture' affordable workspace policies should be considered:

- **Inclusionary affordable workspace policies** should be considered in areas where access to affordable workspace is a pressing issue for start-ups and creative industries. The introduction of any such policies should coincide with the review of land-use & built form provisions, and *where the review is expected to deliver an uplift in development rights from the present-day situation.*
- **Affordable workspace value capture provisions** could be introduced (via floor area uplift or other mechanisms) where there is scope for consideration of *granting permission for density and built form above what the base planning controls allow for.*

Findings and recommendations:

- In the case of South Melbourne, any potential future uplift in development yields from the present-day situation might well arise as an outcome of a review of DDO8, although these might largely be relied upon as a means of improving the feasibility of development on the smaller sites that remain within the study area (in which case applying an additional 'affordable workspace' obligation on such developments might become a zero-sum game).
- Nonetheless, it is recommended that the review of DDO8 determine whether or not scope exists to establish 'preferred' and 'maximum' development yields in parts of the study area (ideally expressed as a floor area ratio and an uplift ratio rather than as building heights), and for a proportion of the floor area 'uplift' to be allocated to the provision of affordable workspace. This analysis should consider the development economics and feasibility implications of using any such mechanism.
- If this approach is proven by the analysis to be supportable having regard to the urban context and urban design objectives of the precinct, then further work would need to be done to establish appropriate governance, policies and guidelines on which any such affordable workspace policy was to operate.

Table 47 summarises the recommendations of the planning assessment.

T47. PLANNING ASSESSMENT RECOMMENDATIONS

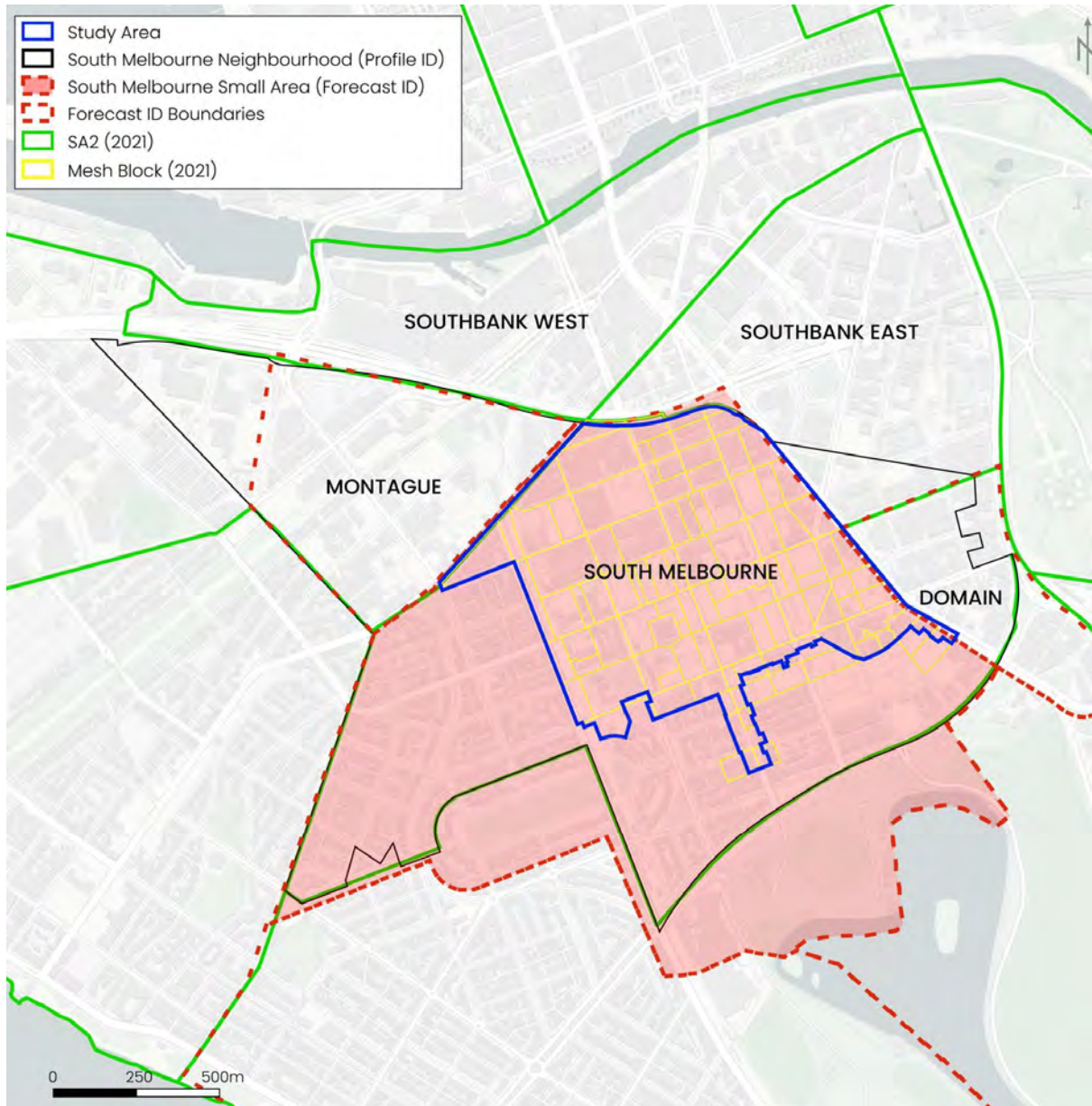
Issue	No.	Recommendation
1	1.1	The spatial extent of the South Melbourne Enterprise Precinct should be defined by land within the C2Z and IN1Z, and that future structure planning for the study area spatially identify the Enterprise Precinct.
2	2.1	The existing C2Z land should be retained in order to support forecast growth employment and commercial floorspace
2	2.2	The small area of IN1Z land in the north-west part of the study area should be rezoned to C2Z to support its future growth and evolution as part of the broader South Melbourne Enterprise Precinct.
2	2.3	Consider options to create additional capacity across the MAC and Enterprise Precinct to accommodate residential and retail space, including increasing the yield potential of built form controls (if suitable from an urban design perspective) and establishing a policy framework for retail space in designated parts of the C2Z.
3	3.1	Further urban design testing should be undertaken to determine whether or not locations with wider streets within DDO8 could potentially accommodate more intensive building forms than are currently permitted under this control, without materially impacting on the low-rise character of such areas. The scope of any such testing should be limited to identifying potential locations where greater design flexibility might exist, and reviewing those specific design standards that directly impact on site yields (i.e. building heights, street wall heights and upper level setbacks).
4	4.1	The C2Z should be retained as it is considered to be the most appropriate zone to support the function of the employment areas surrounding Clarendon Street as an 'Enterprise Precinct'.
6	6.1	Any review of DDO8 should include consideration of whether or not scope exists to establish 'preferred' and 'maximum' development yields in parts of the study area (ideally expressed as a floor area ratio and an uplift ratio rather than as building heights), and for a proportion of the floor area 'uplift' to be allocated to the provision of affordable workspace. This analysis should consider the development economics and feasibility implications of using any such mechanism.

Source: Echelon Planning.

APPENDICES

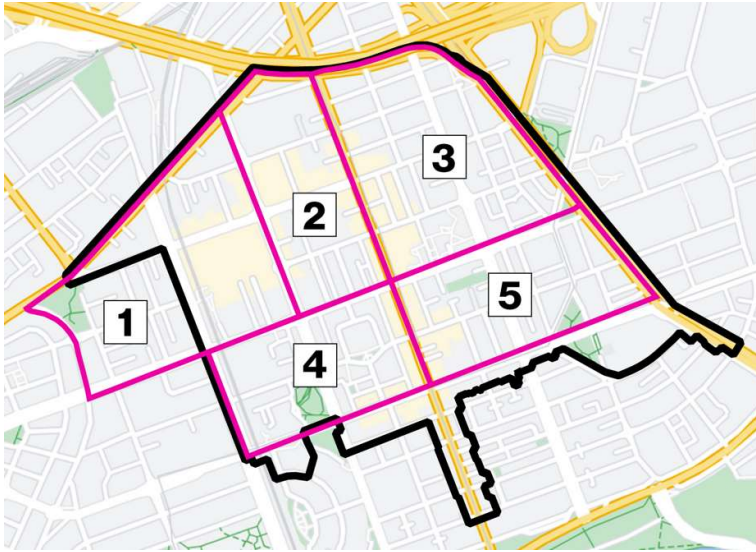
APPENDIX A KEY DATA AREAS

F45. SA2 AND FORECAST ID DATA AREAS (2021/22)



Source: ABS 2021, Forecast ID 2022, Urban Enterprise.

F46. DESTINATION ZONES (2021)



Source: REMPLAN MapBuilder, Urban Enterprise.

APPENDIX B INDUSTRY SPECIALISATIONS (SUB-SECTORS), SOUTH MELBOURNE

CREATIVE INDUSTRIES

Media + Communications
Radio Broadcasting
Motion Picture and Video Production
Post-production Services and Other Motion Picture and Video Activities
Information Media and Telecommunications, nfd
Internet Publishing and Broadcasting
Newspaper Publishing
Magazine and Other Periodical Publishing
Motion Picture Exhibition
Free-to-Air Television Broadcasting
Music and Other Sound Recording Activities
Motion Picture and Video Activities, nfd
Broadcasting (except Internet), nfd
Publishing (except Internet and Music Publishing), nfd
Book Publishing
Advertising Services
Commercial + Digital Design
Computer System Design and Related Services
Architectural Services
Other Specialised Design Services
The Arts
Creative Artists, Musicians, Writers and Performers
Performing Arts Operation
Arts and Recreation Services, nfd
Creative and Performing Arts Activities, nfd
Performing Arts Venue Operation
Museum Operation
Arts Education
Professional Photographic Services
Photographic Film Processing

PROFESSIONAL + FINANCIAL SERVICES

Financial and Insurance Services
All Level 4 Sub-sectors
Rental, Hiring and Real Estate Services
All Level 4 sub-sectors
Professional, Scientific and Technical Services
All Level 4 sub-sectors

RETAIL + HOSPITALITY

Retail Trade
All level 4 sub-sectors
Accommodation + Food Services
All Level 4 sub-sectors
Other Services
Hairdressing and Beauty Services
Laundry and Dry-Cleaning Services
Other Personal Services nec

APPENDIX C EMPLOYMENT PROJECTIONS DETAIL

Employment growth in Port Phillip could take several trajectories depending on a wide range of macro-economic circumstances and the relative attractiveness and capacity of land to accommodate development and intensification. Projections were developed by reference to the following indicators of likely scale and industry of employment growth in the municipality:

- The projected population, age, workforce status and industry of employment of the main labour catchment for Port Phillip. Demographic data is derived from Victoria in Future, workforce participation by age is based on ABS Labour Force Survey results for Melbourne, and industry of employment is projected based on the historical trend for each SA4 derived from the Labour Force Survey.
- The propensity of workers in the labour catchment in each industry to work in Port Phillip (ABS Census Journey to Work for each ANZSIC Level 1) informed an estimate of the scale and composition of jobs expected to be located within the municipality over the study period.
- The following alternative growth rates were also considered:
 - Retail, hospitality, recreation and health employment growth is most likely to occur where local demand for these business types increases. Future employment growth in these industries was linked to local population growth.
 - Where a rate of employment growth has occurred in Port Phillip in recent years which is materially higher or lower than the projected change in labour force working in Port Phillip or the growth rate linked to local population, the historical rate was included as part of the growth scenarios.

This approach considers both regional level labour projections and municipal factors to arrive at estimated employment growth scenarios for the planning period. The municipal-level rates of employment growth by industry result in two scenarios being considered: a lower scenario and higher scenario.

Municipal level employment growth was distributed to the local (SA2) level based on the existing distribution of employment (an indicator of the role and relative attractiveness of existing centres and employment precincts); the expected rate of population growth in the area (an indicator of the demand for local population-led goods and services); and changes in the availability of public transport infrastructure (a driver of greater attractiveness of the affected areas for services employment).

Projected employment growth was converted into floorspace requirements based on the following considerations.

- Not all employment requires floorspace within private land and commercial premises. Deductions were made to confine overall employment growth to the job types that are likely to require space in employment land within the scope of the study before determining floorspace requirements.
- The remaining employment growth was converted into gross floorspace required based on the land use category typically occupied by each industry sector, having regard to employment densities based on equivalent densities for inner Melbourne areas.⁵⁸ Medium term trends for employment densities (declining overall at 0.5% per annum) have been applied to account for ongoing increases in floorspace efficiency (i.e. intensification) over the planning period.

Municipal level employment is projected to increase by between 30,000 and 50,000 jobs between 2020 and 2040. Resulting floorspace requirements were checked against those included in MICLUP. This comparison verified that the projections are of a comparable scale and that if Council plans to accommodate the projected growth then the general scale of demand projected by MICLUP will also be able to be accommodated.

The analysis of current employment locations, trends in employment growth by industry and locations of population growth showed that South Melbourne is expected to accommodate the highest proportion of net additional employment over the period of any suburb in Port Phillip.

⁵⁸ City of Melbourne Census of Land Use and Employment.

T48. INDUSTRY CATEGORIES FOR FLOORSPACE ASSESSMENT

Category	Industries	Selected industry adjustments
Retail	Retail Trade Accommodation and Food Services Other Services (selected sub-sectors)	Selected sub-sectors of Other Services (such as hairdressing and beauty services) are included as retail.
Commercial	Administrative and Support Services Financial and Insurance Services Information Media and Telecommunications Professional, Scientific and Technical Services Public Administration and Safety Rental, Hiring and Real Estate Services Other Services (selected sub-sectors) Arts and Recreation Services (selected sub-sectors)	Sub-sectors in Arts and Recreation Services are included in the Commercial category where businesses are likely to require commercial space. The balance are excluded, such as sports clubs and venues, parks and gardens operations and amusement parks. Sub-sectors in Other Services are distributed between Industrial and Commercial based on the most common land use.
Institutional	Education and Training Health Care and Social Assistance	Excluded sub-sectors include schools, hospitals, universities, aged care and child care.
Industrial	Agriculture, Forestry and Fishing Electricity, Gas, Water and Waste Services Manufacturing Mining Transport, Postal and Warehousing Wholesale Trade Other services (selected sub-sectors)	Sub-sectors in Other Services are distributed between Industrial and Commercial based on the most common land use. In several locations in Port Phillip, industrial sector employment occupies commercial floorspace. This is reflected in floorspace densities adopted.

Source: Urban Enterprise. Note: Floorspace assessment does not account for construction jobs which are transient. Jobs undertaken from home are excluded based on 2016 Census proportions by industry and location.

APPENDIX D CAPACITY APPROACH

OVERVIEW

An overview of the method to estimate development capacity for employment is provided in Table 49.

T49. CAPACITY METHOD OVERVIEW

Step	Description
Baseline	Compile area, planning and land use data for all properties.
Exclusions	Exclude properties that are unlikely to be developed in the study timeframe.
Model built form controls (C1Z, C2Z, IN1Z, MUZ)	Convert built form controls (such as height and setbacks) into capacity metrics which enable the maximum floorspace of each site to be estimated.
Net additional capacity	Calculate the difference between the maximum permissible development and any existing development to determine the net additional capacity of current planning controls.

Source: Urban Enterprise.

Exclusions have been made to remove from consideration those sites that, for several reasons, are unlikely to be developed as summarised in Table 50. It is noted that some sites affected by these exclusions may be developed, and many sites not affected by exclusions will not be developed.

T50. KEY EXCLUSION CRITERIA FOR PROPERTIES LESS LIKELY TO BE DEVELOPED

No	Issue	Exclusion Metric	Applies to	Basis
1	Recent and high value improvements	Construction year after 2010; CIV: SV ratio > 5.	All zones	Recently constructed buildings and properties with higher value improvements are less likely to be redeveloped in the study timeframe given the economic life of the improvements and feasibility considerations.
2	Lot size	Lot size < 500 sqm Lot size < 200 sqm	C1Z, MUZ C2Z	Small lots are unlikely to be redeveloped or subdivided for higher density development due to the physical constraints associated with the lot size, such as shopfronts with narrow frontages in the C1Z. C2Z lots generally have wider frontages (and lot consolidation is occurring) and therefore a lower minimum applies.
3	Heritage and character restrictions	Victorian Heritage Register	All zones	Sites with State heritage significance are likely to be constrained and therefore are excluded. Local heritage controls in employment zones will influence design and built form but generally do not prevent development.
4	Other	Public Current land use code = School, childcare, aged care, public use, public housing (note 1), infrastructure.	All zones	Assumed that these land uses will remain over the assessment timeframe and not be available for redevelopment.

Source: Urban Enterprise. 1. Note: the State government has announced that two major public housing towers in the study area will be 'retired' as part of a broader public housing redevelopment program which may result in development opportunities on these strategic sites.

BUILT FORM CONTROLS

Most land in South Melbourne is affected by Design and Development Overlays (DDO) which dictate a range of built form controls relating to building height, setbacks, design and several other issues. DDO controls were converted into height and site coverage metrics as described in Table 51 and Table 52.

Actual built form and site coverages will naturally vary on a case by case basis – these assumptions are applied to approximate the overall average for buildings in each DDO sub-precinct. It is noted that the capacity metrics are applied to individual sites – capacity potential is likely to be higher following major site consolidation, or if developments exceed the discretionary height and other built form controls (which, based on recent experience, is often the case).

T51. BUILT FORM CONTROLS SUMMARY

Control	Method
Building height	Adopt the specified maximum building height for each property. Where necessary, an average storey height of 3.5m is applied to convert height to storeys.
Street wall / podium height	Adopt any specific maximum street wall height as the 'podium' height. Where no street wall height is specified, for any buildings with more than 5 storey height, a 4 storey podium is assumed.
Site coverage	DDOs include a range of built form controls such as setbacks, access requirements, shadowing, building massing and so on, many of which vary on a site by site basis or are subjective. In order to estimate permissible site coverages in different precincts, all <u>setback</u> metrics which apply in DDO schedules were documented and converted into estimated site coverage percentages for DDO sub-precincts. Site coverage results are shown in Table 52.

Source: Urban Enterprise.

T52. BUILT FORM AND HEIGHT CONTROLS, SOUTH MELBOURNE

Overlay	Podium/street wall height (storeys)	Total Building Height (storeys)	Podium / lower levels coverage (%)	Upper levels coverage (%)
DD08-1	3	3	85%	65%
DD08-2a	3	6	90%	70%
DD08-2b	3	5	90%	65%
DD08-2c	3	6	90%	80%
DD08-3	3	6	85%	60%
DD08-4a	2	6	90%	70%
DD08-4b	3	ns	85%	65%
DD08-5a	3	6	80%	50%
DD08-5b	3	5	90%	70%
DD08-6	3	6	95%	90%
DD08-7a	3	6	85%	55%
DD08-7b	3	4	85%	60%
DD08-7c	3	3	80%	65%
DD08-8a	3	6	85%	60%
DD08-8b	3	6	85%	60%
DD08-8c	2	3	95%	85%
DD08-8d	ns	ns	95%	95%
DD08-9a	3	10	80%	45%
DD08-9b	3	6	85%	50%
DD08-9c	3	3	85%	70%
DD08-9d	3	8	65%	60%
DD08-11	ns	ns	95%	95%

Source: Compiled by Urban Enterprise based on Port Phillip Planning Scheme. Ns = not specified.

