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CITY OF PORT PHILLIP SPATIAL ECONOMIC AND EMPLOYMENT FRAMEWORK

TECHNICAL REPORT

CITY OF PORT PHILLIP | SEPTEMBER 2022



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EXECUTIVE SUMMARY

Port Phillip is home to a substantial business and employment base which capitalise on proximity to both Melbourne's Central City and Port Phillip Bay. The local economy continues to evolve and change based on broader economic forces and local conditions, requiring regular updates to economic and land use policies and strategies.

Land use planning is one of the key tools 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 shape the type, location and scale of business and economic activity which takes place in a municipality.

This Spatial Economic and Employment Framework (SEEF) Technical Report provides an analysis of the municipal economy and its influences and challenges, and sets out a series of strategic directions recommended to support economic growth and prosperity over the coming years.

CONTEXT

The economic and employment role of the municipality has evolved substantially over more than 150 years, from early industrial and seaside resort functions towards a professional services focus as part of an expanded central city. The importance of traditional retail shopping areas and creative activities has endured for generations.

Proximity to both city and bay are defining attributes underpinning Port Phillip's economic strengths and specialisations, especially in terms of tourism, professional services and creative industries. The central city continues to expand further into Port Phillip and proposed new tram and train lines will substantially improve public transport accessibility in the northern part of the municipality.

Port Phillip's Council Plan 2021-2031 seeks to achieve a City which is liveable, sustainable and vibrant and identifies a range of challenges related to COVID pandemic recovery, climate change, increasing urban densities, contrasting social and economic outcomes of the community and enhancing the reputation as a cultural and creative hub.

PLANNING FRAMEWORK

The State government is progressively implementing Plan Melbourne, its long term planning strategy, by planning for a hierarchy of National Employment and Innovation Clusters, Urban Renewal Areas, Activity Centres, Commercial Areas and Industrial Areas. This hierarchy is yet to be applied in detail to the local context of Port Phillip.

Port Phillip has an important role to play in implementing the key employment policy concepts of an expanded central city, Enterprise Precincts, health and education precincts and 20-minute neighbourhoods. State planning policy recognises the state significance of Fishermans Bend and the St Kilda Road Precinct. All other employment precincts and activity centres are identified as holding regional or local significance.

State policy promotes the retention of existing commercial and industrial zoned land in the municipality, while some flexibility is provided for Councils to consider the optimal zoning and land use mix in areas of local significance.

State plans encourage the identification of areas with capacity to support investment and growth, encourage the growth of Enterprise Precincts and seek to accommodate a diversity of employment and services in activity centres.

ECONOMIC AND SPATIAL TRENDS

Melbourne's economy continues to experience structural changes, transitioning from a primarily industrial economy to one based around services, especially **knowledge-based services**. An opportunity and challenge for Port Phillip will be to capitalise on areas of strength, specialisation and agglomeration in the growing sectors of knowledge-based services, health and education.

Advanced manufacturing is a particular focus of economic opportunity in Victoria, with Fishermans Bend planned to be the spatial focus. Although some industrial sectors are declining in importance, remaining industrial land and premises suitable for creative activities and innovation in inner urban areas will have an important role to play in productivity growth.

Activity centres and commercial strips historically reliant on traditional retail trade will require a greater diversification of land uses to remain competitive in the context of **retail sector changes**, especially intense on-line competition.

The economy has been strongly impacted by the **COVID pandemic**, however strong recovery is underway in many sectors, requiring new space for business across a range of sectors and employment land types. Precincts with strengths in hospitality, tourism and events will require particularly strong policy and investment support to facilitate sustained recovery.

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.

An ageing population and increasing demand for **health services** will require suitable premises in locations accessible to residents such as activity centres as well as identification of locations where health-related activities and businesses can capitalise on major health institutions.

Major public transport investment and land use change is proposed in the northern parts of Port Phillip which presents opportunities for business attraction and employment growth. This area has, however, also been the main focus of residential development in Port Phillip recent years, presenting strong **competition between residential and non-residential uses** in the municipality's most strategic economic precincts.

Increasing demand for city fringe and inner suburban **office space** requires a precinct focus for strategic planning to attract existing and emerging businesses. This is especially true for businesses involved in creative activities and those needing to attract and retain specialised talent which has a growing range of physical and digital workplace options.

Major investment in health, education and cultural institutions is proposed near the Port Phillip boundaries. A **precinct approach** to planning for economic opportunities in these areas is required.

The substantial population increase expected in major urban renewal precincts within and adjacent to the municipality will increase demand for retail and services in Port Phillip, as well as creating a larger labour force. Accommodating business and employment growth in the northern part of the municipality should be an economic priority.

PORT PHILLIP ECONOMY

With a Gross Regional Product of approximately \$15bn, Port Phillip's economy is significant to the Melbourne and Victorian economy. Office-based services make up 58% of the value added and have strongly increased this productivity measure over the past 6 years.

Port Phillip hosts a substantial labour force which is heavily weighted to managers and professionals currently working in inner Melbourne, a characteristic which supports professional businesses within the municipality. The proportion of local labour with university qualifications is increasing.

Port Phillip has comparative economic strengths in professional services, creative industry and tourism. Smaller and independent businesses are a dominant feature of the municipal business mix. Employment is largely concentrated in the northern areas of St Kilda Road North, South Melbourne and Fishermans Bend.

Port Phillip has historically been a hub for creative industry in Melbourne and Australia. 14% of the municipal workforce is employed in creative sectors – these jobs make up 11% of all such jobs in Greater Melbourne. Clusters of creative industry in South Melbourne (media and design) and St Kilda (art and music) create some of Melbourne's most prominent creative locations and align with cultural events and infrastructure.

Port Phillip's institutions, events and natural environment create strong competitive advantages for creative activities, however the strong creative culture is being challenged by decreasing housing affordability, redevelopment of older premises, the COVID pandemic and the emergence of new cultural locations elsewhere in Melbourne.

St Kilda is an iconic Victorian visitor destination. Before the pandemic, Port Phillip attracted 1.3m visitors per year, 58% of which visited St Kilda. Tourism and hospitality support a range of other sectors and represents an important economic specialisation.

The majority of businesses surveyed intend to maintain or increase employment in the coming 12 months, however rental affordability is a common issue and is linked to business retention.

The COVID pandemic has substantially impacted parts of the economy, especially events, hospitality and tourism. Longer term implications of the pandemic are likely to include greater demand for high quality, mixed use office environments, challenging conditions for in-store retailing and increased daytime population in residential areas.

EMPLOYMENT GROWTH

Federal government employment projections for Melbourne over the short term are for an average of 1.9% per annum employment increase, with the greatest increases expected to occur in health care, professional services, accommodation and food services and education and training.

Projections prepared for this study show that employment in the City of Port Phillip 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 pandemic.

The greatest employment growth in Port Phillip is projected to occur in the industries of Professional, Scientific and Technical Services, Education and Training and Health Care and Social Assistance.

The greatest increases in employment are expected in the northern part of the municipality including South Melbourne, St Kilda Road and Fishermans Bend, while St Kilda is also projected to experience significant employment growth. The location of projected employment increase is driven by the locations of existing concentrations of businesses and employment land, existing and proposed transport infrastructure and public realm which support businesses, and projections for the majority of municipal population growth to occur in South Melbourne (Domain), St Kilda Road North, St Kilda and Fishermans Bend.

Although Fishermans Bend has substantial capacity to accommodate up to 34,000 jobs at full development, existing employment will also be displaced and much of the employment growth is likely to occur later in the development timeframe (i.e. beyond the planning period for this study).

EMPLOYMENT LAND

Despite having more than 400 hectares of land in zones which promote business and economic activity, only 24 hectares of land in Port Phillip is reserved solely for employment purposes. This results in a risk that current employment space is displaced by residential land use over time.

Vacant land in zones which accommodate employment is scarce, meaning that any increase in employment and business activity will primarily need to be accommodated through greater intensification of employment, redevelopment of sites and lot consolidation.

Port Phillip's major concentrations of employment are primarily in the northern section of the municipality, including Fishermans Bend, St Kilda Road and South Melbourne.

At the municipal level, the estimated additional development capacity of activity centres and employment precincts (excluding Fishermans Bend) is 2.38m sqm of gross floorspace, which is substantially higher than the projected floorspace demand of 670,000sqm over the period to 2040.

The St Kilda Road Precinct has the greatest capacity for additional floorspace, owing primarily to the substantial height limits in many parts of the precinct, lack of heritage restrictions and the prevalence of large properties. Other locations of substantial capacity include the Commercial 2 Zone in South Melbourne (the South Melbourne Enterprise Precinct) and the Commercial 1 Zone in Major Activity Centres such as Fitzroy Street and South Melbourne.

When possible land use and development outcomes are considered, it is estimated that the identified development capacity could result in the delivery of up to 679,000sqm, while net additional employment floorspace could be substantially lower if there is widespread conversion of existing commercial premises to mixed use developments weighted towards residential uses.

The capacity assessment demonstrates the importance of employment-only zones (such as the Commercial 2 Zone in South Melbourne) to the opportunity to safeguard land for employment uses in the context of strong competition for inner urban land from residential alternatives.

PRECINCTS AND ACTIVITY CENTRES

The expansion of the **central city** creates a major economic opportunity for Port Phillip, especially to accommodate continued employment growth and agglomeration of knowledge-based services.

Flexible zoning in both Fishermans Bend and St Kilda Road enables residential development to compete with and in many cases former commercial and industrial premises in the City's major employment precincts. Redevelopment of land in **Fishermans Bend** will alter the existing employment and business mix and has the potential to reduce specialisations associated with creative industries.

The **St Kilda** area has a disjointed proliferation of employment land and premises across main road frontages throughout the suburb, limiting the establishment of clear employment and economic roles. Economic challenges and vacancies in St Kilda and the role of employment land should be a particular focus for planning in the coming period, with opportunities for smaller businesses and niche enterprises encouraged.

Business preferences for office space in high amenity 'precincts' is manifesting in strong demand for office space in **South Melbourne** which needs to be considered alongside the strategically important South Melbourne Enterprise Precinct, the municipality's only substantial employment precinct in an employment only zone.

Port Phillip has a thriving network of smaller **retail villages** which generally have very low vacancies, limited capacity for redevelopment and excellent local amenity. Planning should investigate way to increase the diversity of business types and scale of employment accommodated in these areas, especially in Albert Park, Elwood and Ripponlea.

Remaining **local industrial areas** are not considered strategic precincts for industrial purposes and have potential to accommodate more intensive employment land uses subject to local assessments.

STRATEGY

The following vision for Port Phillip's employment land has been developed to facilitate economic prosperity at the local and metropolitan levels, implement State planning policy, and support the delivery of the community vision:

Port Phillip accommodates a diversity of economic activity that is significant to Melbourne and to the local communities which support and benefit from specialised places.

Port Phillip's location advantages will continue to attract both high value businesses and talent (increasingly in knowledge-based services, health and education) as well as demand for housing close to the central city. As employment land continues to transition to higher density and high value uses – continuing a long history of evolution in the municipality – Port Phillip's network of distinctive and vibrant neighbourhoods will enable a diversity of employment locations and premise types to attract businesses and skilled workers which are responding to global economic opportunities.

Well established specialisations and advantages in creative activities, events and hospitality will continue to drive a culture of innovation and creativity and attract visitors and talent.

Local employment land will meet the needs of residents and provide opportunities for employment close to home, responding to the need for sustainable, resilient and liveable communities.

The objectives of Council to achieve the vision are as follows:

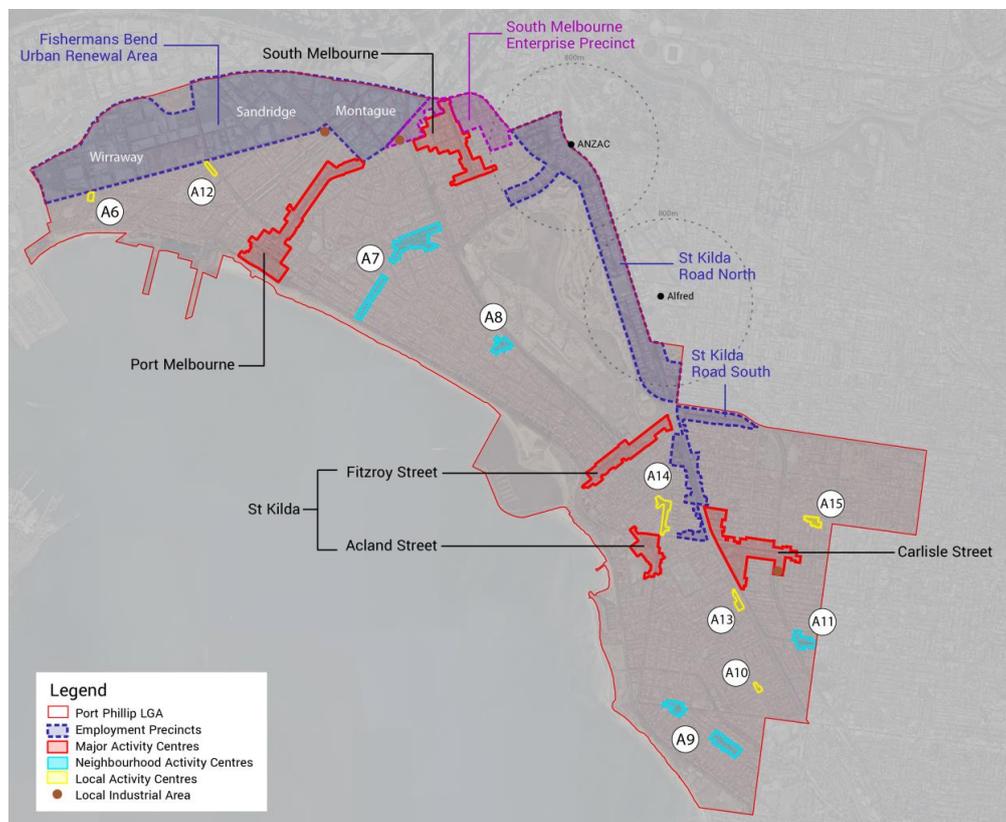
1. Accommodate demand for employment growth in **locations of advantage** due to existing agglomeration, infrastructure and place characteristics.
2. Strategically and proactively **manage transition** of former industrial areas – particularly Fishermans Bend – to ensure that economic opportunities are maximised and consider local specialisations and opportunities.
3. Ensure that **residential land use** complements, rather than displaces, economic activity and employment.
4. Support the recovery, resilience and growth of **specialised sectors** with links to cultural identity, innovation and specialisation, especially cultural and creative activities and events and hospitality.
5. Provide a land use and built form **environment** which attracts and retains a talented professional workforce.
6. Promote opportunities for business and employment growth aligned with health and education **institutions**.
7. Promote the availability of a range of retail, service and employment types in **activity centres and villages**.

Five strategic directions have been developed to achieve the vision and objectives as follows:

1. Accommodate and optimise an expanded Central City;
2. Support areas of specialisation and innovation;
3. Position precincts to reflect changing work practices and attract talent;
4. Strengthen and diversify activity centres and key villages; and
5. Align housing and employment policy.

The recommended Spatial Framework for the City is shown below. Further details are provided in the body of this report.

Spatial Framework



Source: Urban Enterprise.

1. INTRODUCTION

1.1. BACKGROUND

Port Phillip is an inner urban municipality home to a substantial business and employment base which capitalise on proximity to both Melbourne's Central City and Port Phillip Bay. The local economy continues to evolve and change based on broader economic forces and local conditions, requiring regular updates to economic and land use policies and strategies.

Land use planning is one of the key tools 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, very many aspects of the local economy which cannot be influenced by local governments.

This report focuses on the relationship between land use planning and economic activity.

1.2. THE SEEF

This Spatial Economic and Employment Framework (SEEF) Technical Report provides a comprehensive analysis of the municipal economy and its influences and challenges and sets out a series of Directions designed to support economic growth and prosperity over the coming years.

The primary objectives of the SEEF are to:

- Understand and realise Port Phillip's economic and employment growth opportunities;
- Provide a sound strategic basis for future decisions on employment lands in the municipality;
- Provide directions for employment outcomes in activity centres; and
- Provide a strategic basis to update planning provisions in the Port Phillip Planning Scheme.

The SEEF is intended to inform the subsequent preparation of a variety of strategic documents such as an Activity Centres Strategy, Employment Land Strategy and local Structure Plans. The challenges, opportunities and directions set out in this overarching assessment will inform these studies which will apply a more localised and sector specific assessments and actions.

1.3. PLANNING PERIOD

The planning period for the SEEF is nominally 2021 – 2040, however various datasets, timeframes, projections and horizons are considered as relevant throughout the report.

The main datasets used to prepare this Technical Report were those available during 2021 and early 2022, at which point 2021 Census results relating to employment and detailed local data were yet to be released. It is recommended that key datasets are updated to capture 2021 Census results and other relevant data releases prior to finalisation of the SEEF.

1.4. METHODOLOGY

The methodology applied to this study is set out below:

1. **Current planning framework:** existing local, regional and State planning policies were reviewed to identify gaps in local policy and core regional and State policy directions to be implemented through local planning.
2. **Strategic context:** recent strategies and land use plans were reviewed, including those applying within Port Phillip, to neighbouring municipalities and for the broader region and metropolitan area to identify current land use and economic directions.
3. **Evidence base:** economic and land use data was compiled and analysed to form a detailed understanding of the current state of the municipal economy and employment lands and observation of trends evident in the recent past.
4. **Consultation:** targeted consultation with business, real estate and government representatives was undertaken to identify emerging challenges and opportunities. See section 1.5 for further details.
5. **Employment land demand and supply:** employment projections were prepared at the municipal and local levels and considered alongside an assessment of development capacity across zones capable of accommodating employment land uses.
6. **A recommended vision and objectives** for employment land was developed, including input from Council officers.

1.5. CONSULTATION

The SEEF Technical Report was informed by targeted consultation with a range of stakeholders and representatives through a variety of formats as summarised below:

- A business survey distributed to Council's business database, seeking input on the issues affecting individual businesses;
- Written and verbal input provided by members of the Port Phillip Business Advisory Group (BAG), which is comprised of representatives of trader groups, real estate, commercial property owners, sustainability, arts and culture, social enterprise and accessibility, hospitality and tourism;
- A focus group of selected representatives of the arts and cultural sector;
- Workshops with Council officers from City Strategy and City Policy and representatives of the Victorian Department of Jobs, Precincts and Regions; and
- Direct interviews with selected business owners and real estate agents.

Consultation findings are embedded into the report based on the relevant theme and topic.

1.6. REPORT STRUCTURE

This report has the following structure:

- **Part A** includes contextual historical and spatial information, followed by an assessment of the existing planning framework for employment land in Port Phillip.
- **Part B** sets out economic analysis, covering economic trends, spatial drivers of change, the role, performance and specialisations of the Port Phillip economy, projections of employment growth over the study period and municipal level information about the location, scale, type and capacity of employment land to accommodate additional development.
- **Part C** includes an assessment of the major employment land precincts within the City, including their land use and business mix, key trends and issues which influence the study at the local level.
- Based on the findings of the preceding sections, **Part D** sets out a vision and objectives for Port Phillip's employment land and identifies key directions and actions designed to achieve these.

PART A. CONTEXT & PLANNING FRAMEWORK

2. CONTEXT

2.1. INTRODUCTION

This section sets out the historical, spatial and local government context for the Port Phillip economy and its employment land.

2.2. KEY POINTS

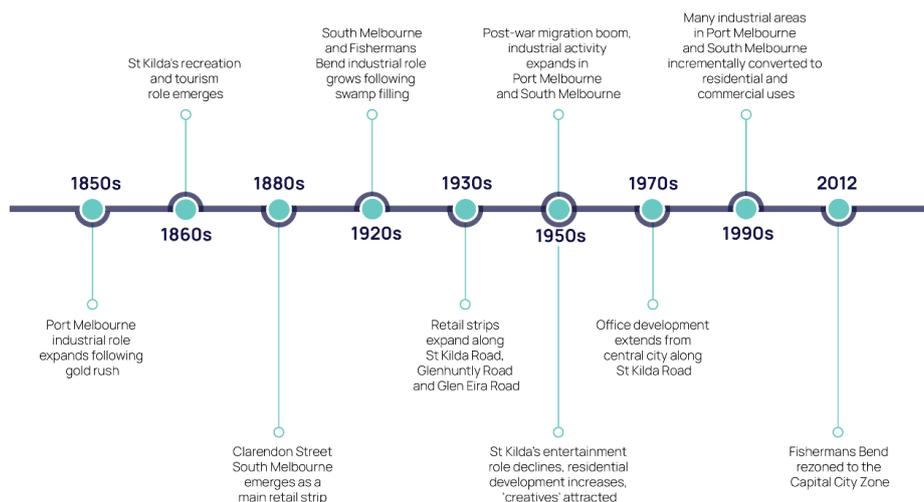
- The economic and employment role of the municipality has evolved substantially over more than 150 years, from early industrial and seaside resort functions towards a greater professional services focus as part of an expanded CBD. The importance of traditional retail shopping areas and creative activities has endured for generations.
- Proximity to both city and bay are defining attributes underpinning Port Phillip's economic strengths and specialisations, especially in terms of tourism, professional services and creative industries.
- The Central City of Melbourne continues to expand further into Port Phillip, resulting in greater opportunity for high density development and improved public transport. Proposed new tram and train lines will substantially improve public transport accessibility in the northern part of the municipality.
- The Council Plan 2021-2031 includes directions relevant to economy which seek to achieve a City which is liveable, sustainable and vibrant. Key challenges and opportunities are identified in relation to COVID pandemic recovery, climate change, increasing urban densities, contrasting social and economic outcomes of the community and enhancing the reputation as a cultural and creative hub. The SEEF Technical Report responds to the challenges identified in the Council Plan and identifies directions and actions which align with and seek achieve the objectives and strategic directions of the Council Plan.

2.3. HISTORICAL CONTEXT

The economic role of Port Phillip and its localities has evolved over more than 150 years, influenced by macro-economic conditions, infrastructure development and social trends.

Figure 1 depicts some of the key phases and transitions of the municipal economy.¹

F1. TIMELINE OF KEY ECONOMIC PHASES AND TRANSITIONS



Source: Urban Enterprise.

The City of Port Phillip has a long history of industrial activity, with **Port Melbourne** (then Sandridge) having origins in the shipping industry since the 1800s when goods and passengers were transferred through the suburb. The industrial role expanded following the gold rush to include warehousing, storage yards and passenger transport across Port Phillip Bay, and a number of noxious trades were also established in the initial years (abattoirs, chemical works). Business growth was supported by the opening of railway lines from Melbourne, including to Port Melbourne.

In **South Melbourne** and **Fishermans Bend**, draining and filling of swamp land in the early 1900s enabled development, leading to a range of industrial land uses in these areas. By the 1920s, a significant number of factories had been established in Fishermans Bend and by the end of the 1930s, with businesses manufacturing goods such as chemicals, rubber and blankets were operating in the Precinct.

While Port Melbourne and South Melbourne have origins in industry, **St Kilda** was established as a residential and tourist area or a 'seaside resort' located on a hill above low lying land.

Several key streets in Port Phillip have a long history of **retail** trade, with Clarendon Street South Melbourne becoming a principal retail thoroughfare by the end of the 19th century. In the interwar period, strip shopping grew along High Street (now St Kilda Road) towards the Chapel Street tram terminus, Broadway and Glenhuntly Roads in Elwood, Ormond Road and Glen Eira Road (due to opening of the Ripponlea railway station).

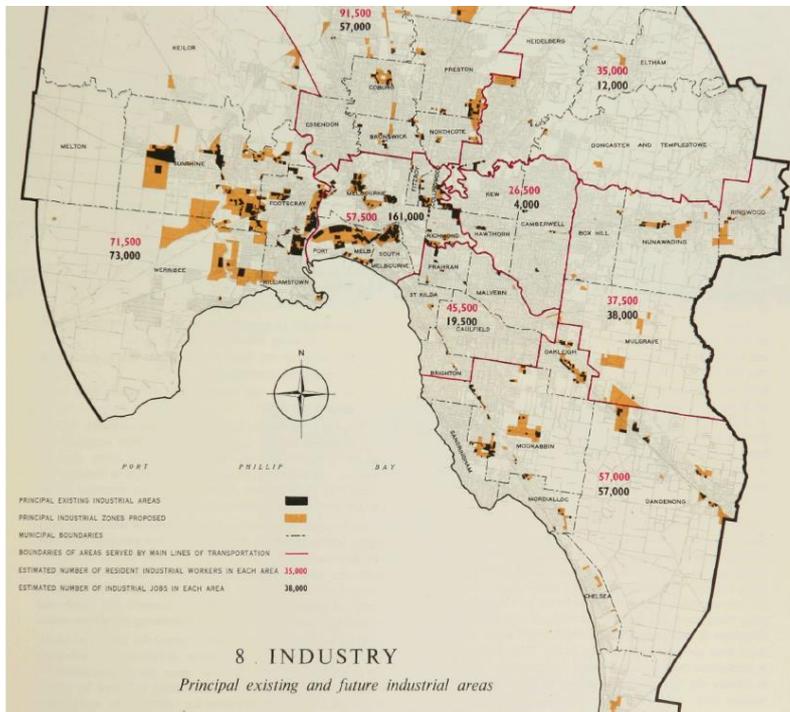
¹ The content of this section has been compiled by Urban Enterprise based on a range of sources including: Port Phillip Heritage Review (Volume 1 – Version 35, March 2021), prepared for the City of Port Phillip by Andrew Ward; Melbourne Metropolitan Planning Scheme 1954 Report, Melbourne and Metropolitan Board of Works; Fishermans Bend Framework; St Kilda Road South Urban Design and Land Use Framework, 24 November 2015, prepared by Planisphere; Fishermans Bend Heritage Study, 11 June 2013, Prepared by Biosis for Places Victoria; Bay Street Activity Centre Plan, adopted 26 August 2014; and St Kilda Foreshore Urban Design Framework, March 2022 (Revised December 2003).

In the years **post war**, industrial activity continued in Port Melbourne and South Melbourne. Further land in these areas was identified as suitable for rezoning for industrial purposes in the Melbourne Metropolitan Planning Scheme 1954 Report. The South Melbourne and Fishermans Bend industrial areas comprised one of the largest industrial areas in the metropolitan area in the mid-20th century (see Figure 2).

In the post war period, Melbourne experienced significant **migration**, leading to new communities establishing in Port Phillip and the establishment of restaurants serving European cuisine. Migrants often settled in areas with employment opportunities and Fishermans Bend accommodated a migrant camp providing both accommodation and employment.

Having struggled during the interwar / Great Depression period and due to the increased mobility of Melbourne residents and establishment of other tourism destinations post war, the role of **St Kilda** as an entertainment destination declined. New residential development and the loss of the 'sea-side resort' feel contributed to the decline. However, during the post-war period, **creatives**, such as artists established within the suburb.

F2. EXISTING AND FUTURE INDUSTRIAL AREAS, 1954



Source: Melbourne Metropolitan Planning Scheme 1954 Report, Melbourne and Metropolitan Board of Works.

Change was also experienced along **St Kilda Road** which was historically a location for residential development and a location for boarding houses and offices for defence. Older buildings were replaced by new commercial office buildings from the 1960s. Substantial office development occurred in subsequent decades, although more recent development has included a greater proportion of residential and visitor accommodation.

In Port Melbourne and South Melbourne, traditional industrial uses have been progressively replaced by a variety of employment and residential uses. Repurposing of former factories is common. The construction of Beacon Cove occurred in the 1990s and 2000s, resulting in a substantial increase in land used for residential purposes.

Port Melbourne has now been substantially converted to a residential and mixed use suburb, benefitting from light rail access, public realm improvements and beachfront infrastructure. St Kilda has been re-established as a

recreational and tourism destination, however socio-economic conditions remain polarised with higher income residents and hospitality venues alongside communities of disadvantage and homelessness.

Most of Fishermans Bend has now been rezoned to form an extension of the Melbourne central city which will facilitate a major land use change away from industrial and large format commercial uses to high density residential, retail and commercial uses.

Albert Park, Middle Park and Elwood have long histories of predominantly residential land uses, supported by local 'village' retail strips.

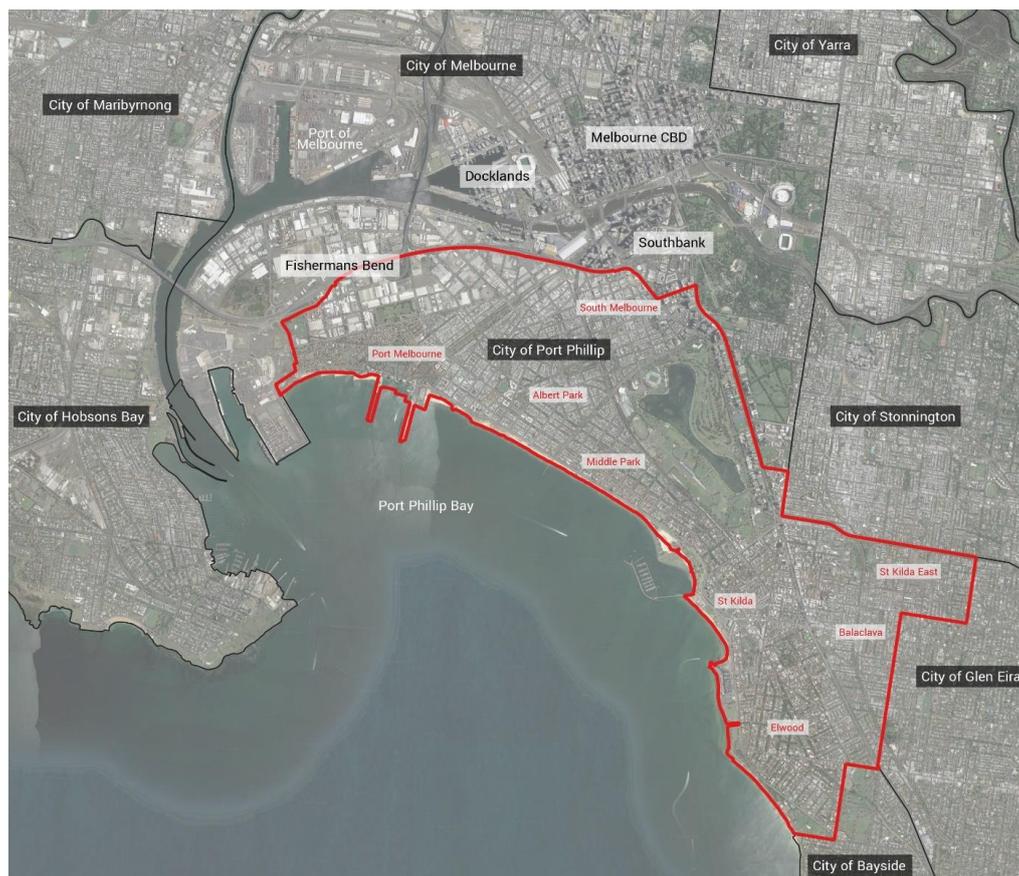
2.4. SPATIAL CONTEXT AND ACCESS

Figure 3 provides an overview of the spatial context of the municipality.

The City enjoys proximity to Melbourne’s Central City, especially at its northern boundary which is less than 1km from the Hoddle Grid. Having Port Phillip Bay as its western boundary means that all parts of the City are within 4km from the coastline.

The proximity to both city and bay are defining attributes of the City which underpin its economic strengths and specialisations, especially in terms of tourism, professional services and creative industries.

F3. SPATIAL CONTEXT MAP



Source: Urban Enterprise.

Figure 4 shows the main existing and proposed public transport infrastructure serving the municipality.

Most parts of the municipality are well served by tram routes connecting to the CBD, although only Balaclava and Ripponlea are serviced by the train network.

Proposed new public transport routes (potential tram and train through Fishermans Bend and metro train station at ANZAC) will significantly improve public transport accessibility in the northern parts of the City.

F4. PUBLIC TRANSPORT INFRASTRUCTURE



Source: Urban Enterprise. Proposed routes based on Fishermans Bend Framework Plan and Victorian Government Melbourne Metro material.

2.5. COUNCIL PLAN

The City of Port Phillip Council Plan 2021-2031 sets out the 10 year vision for the community and identifies a range of strategic directions and challenges relevant to the SEEF.

The community vision includes the following statement regarding the local economy:

"We are renowned as a cultural hub, from live music to our creative industries. This creativity drives music, exhibitions and events which delight residents and encourage visitors to keep returning. Our more diverse local economy enjoys greater protection from financial shocks and new investment and industries within our City are generating jobs and prosperity."

Many of the economic directions directly respond to the economic impacts and challenges associated with the COVID pandemic. The most relevant directions and challenges are summarised below.

Strategic Directions

- Liveable: A City that is a great place to live, where our community has access to high quality public spaces, development and growth are well-managed, and it is safer and easy to connect and travel within.
- Sustainable: A City that has a sustainable future, where our environmentally aware and active community benefits from living in a bayside city that is greener, cooler, cleaner and climate resilient.
- Vibrant: A City that has a flourishing economy, where our community and local businesses thrive, and we maintain and enhance our reputation as one of Melbourne's cultural and creative hubs.

Responses to eight long term challenges:

- A city of economic and social contrasts:
 - Providing access to necessities, such as housing and food security.
 - Financial stresses and job losses as exacerbated by the COVID-19 pandemic.
 - Homelessness and the need to provide longer-term accommodation with access to integrated support services.
- Climate change and the environment
 - The City of Port Phillip declared a climate emergency in 2019; we are reducing our emissions and preparing our City and community for a changing environment.
- The strength and diversity of our local economy
 - The economic shock associated with responding to the health challenge of COVID-19, including significant falls in local spending, gross regional product and employment.
 - A reduction of more than 750,000 visitor nights as a result of fewer domestic and overseas tourists, due to COVID-19 travel restrictions.
 - The economic impact on creative and cultural industries, as well as our hospitality sector.
- Future-proofing our growing City of Port Phillip
 - Impacts on population growth following the COVID-19 pandemic, with slowed construction and migrant growth.
 - Reduced development, particularly for apartments, with the greatest impact being on the development of Fishermans Bend.
- Getting around our dense inner City of Port Phillip.

An increase in the number of people working from home and the impact on road networks, forms of transport and residential parking needs. **The SEEF Technical Report responds to the challenges identified in the Council Plan and identifies directions and actions which align with and seek achieve the objectives and strategic directions of the Council Plan.**

2.6. COUNCIL STRATEGIES

The City of Port Phillip has a wide range of strategies in place to guide decisions and investments across the municipality. The most recent strategies relating to the local economy and employment land are summarised in Table 1. In most cases, strategies related to spatial economic issues were prepared more than 15 years ago and will be updated following completion of the SEEF.

In recent years, Council has published two key strategies relevant to the creative and cultural sector: Art and Soul, and the Live Music Action Plan, reflecting the importance of the sector to both the local economy and the community. This report considers and responds to the key directions of these strategies.

T1. MUNICIPAL STRATEGIES

Strategy / Plan	Scope	Relevant Directions ¹	Status
Employment Land			
Industrial And Business Strategy (2003)	Industrial land	Maintain industrial zoned land in Fishermans Bend, South Melbourne West and St Kilda; Rezone land along Williamstown Road to Business 3 Zone. Accommodate transport-related industrial uses which may relocate from Docklands. Facilitate the redevelopment of older building stock in South Melbourne to accommodate new industry types in higher amenity developments.	Employment land strategies to be updated following SEEF.
Activity Centres Future Directions Strategy Paper and Implementation Plan (2006)	Activity Centres	Manage the evolution of activity centres Retain existing Business 1 zoning. Facilitate bulky goods retail in suitable locations. Provides strategic directions for each major activity centre.	Activity Centre Strategy to be updated following SEEF
Housing			
Housing Strategy, 2007	Residential land	Seeks to ensure adequate housing and housing choice for current and future residents and establishes a framework identifying areas for substantial change, moderate change, incremental change, infill and limited change. Encourages housing diversity, environmental sustainability, affordability and social housing delivery.	Updated Housing Strategy currently under preparation.
Key Sectors			
Art and Soul: Creative and Prosperous City Strategy 2018-2022	Municipality	Provides a series of objectives to support economic development, particularly acknowledging the role of creative industries including through supporting key places and precincts, being a prosperous city, connecting and growing business and through focusing on the role of arts, culture and creative industries.	Current strategy, update underway.
Live Music Action Plan 2021-2024	Municipality	Use live music as a tool for social and economic recovery for local businesses Create live music precincts Facilitate live music events Advocate to State government about ways to support live music through planning, policy and legislation.	Current strategy

Source: Compiled by Urban Enterprise based on content of documents identified in the table. 1. Selected, most relevant to SEEF.

3. PLANNING FRAMEWORK

3.1. INTRODUCTION

This section sets out the current planning policy framework which applies in Port Phillip relevant to employment land, focusing on State government plans and policy and its current and proposed application to employment land and activity centres in the municipality.

3.2. KEY POINTS

- The State government is progressively implementing Plan Melbourne by planning for a hierarchy of National Employment and Innovation Clusters, Urban Renewal Areas, Activity Centres, Commercial Areas and Industrial Areas. This hierarchy is yet to be applied in detail to the local context of Port Phillip.
- State planning policy recognises the state significance of Fishermans Bend and the St Kilda Road Precinct. All other employment precincts and activity centres are identified as holding regional or local significance.
- Port Phillip has an important role to play in implementing the key employment policy concepts of an expanded central city, Enterprise Precincts and 20-minute neighbourhoods.
- Port Phillip contains relatively few major economic precincts when compared with other municipalities in the inner metro region.
- State policy promotes the retention of existing commercial and industrial zoned land in the municipality, while some flexibility is provided for Councils to consider the optimal zoning and land use mix in areas of local significance.
- State plans encourage the identification of areas with capacity to support investment and growth, encourage the growth of enterprise precincts and seek to accommodate a diversity of employment and services in activity centres.
- Regional and local strategies highlight the significance and importance of creative businesses, especially in South Melbourne where the business precinct is identified as an 'Enterprise Precinct'.
- State and local plans and policies make limited reference to the natural assets and advantages of the municipality, particularly the bay and Albert Park, the tourism and hospitality role and assets, and the benefits of proximity to institutions such as the Alfred Hospital and the Melbourne Arts Precinct.
- There are several areas of policy and strategy that can be strengthened in support of the local economy and planning for employment areas.

3.3. STATE GOVERNMENT POLICY

3.3.1. OVERVIEW

State government planning policy guiding spatial land use planning relevant to employment land is primarily contained in Plan Melbourne - the Victorian government’s long-term strategic plan for Melbourne for the period to 2050 – and the Melbourne Industrial and Commercial Land Use Plan (MICALUP, 2020) which provides a planning framework to support state and local government planning for future employment and industry needs.

The State government’s draft Inner Metro Land Use Framework Plan (IMFP) will also form part of the framework once finalised. This section summarises the relevant elements of Plan Melbourne, MICALUP and the IMFP.

3.3.2. PLAN MELBOURNE FRAMEWORK

Figure 5 shows Plan Melbourne’s directions for the central city area, which covers the majority of land in the City of Port Phillip. Key features within Port Phillip include the Fishermans Bend urban renewal precinct, the St Kilda Road precinct and the proposed Domain (now ANZAC) Station. Several features are adjacent to the municipality, including the Alfred Hospital, Arts precinct and Fishermans Bend National Employment and Innovation Cluster.

F5. PLAN MELBOURNE – KEY FEATURES IN AND AROUND MELBOURNE’S CENTRAL CITY



Key features in and around Melbourne’s central city



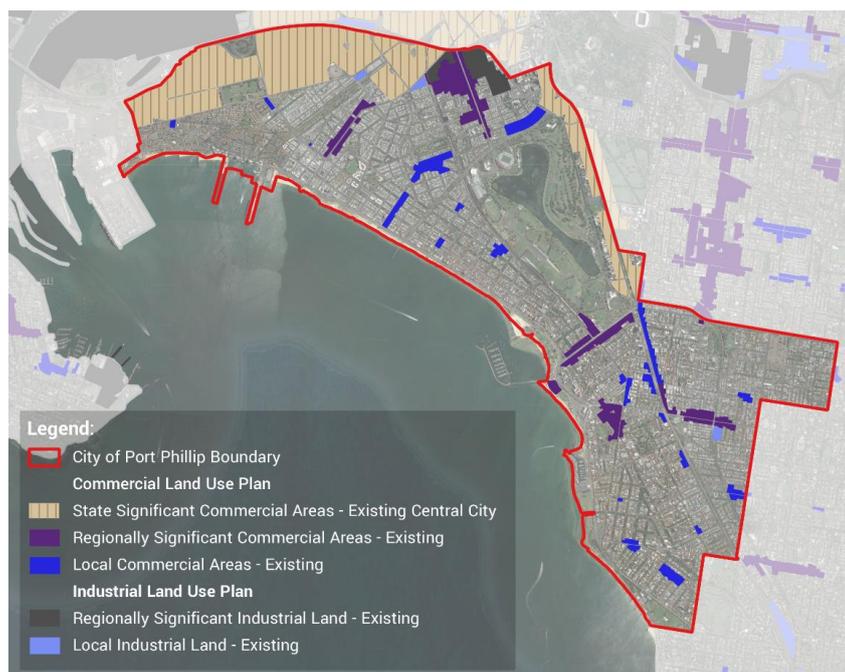
Source: Plan Melbourne.

3.3.3. MICLUP PLANNING FRAMEWORK

The MICLUP sets out a recommended planning framework for employment land across Melbourne. Commercial and industrial areas are classified as of either State, regional or local significance.

Figure 6 shows the location of employment land in Port Phillip and the MICLUP categorisation by significance. The policy direction for each category of commercial and industrial land is summarised in Table 2.

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 SEEF)
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.

3.3.4. 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 Land Use Framework Plan (draft **IMFP**) was released for public consultation in late 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 Port Phillip, the Framework Plan (shown in Figure 7) identifies:

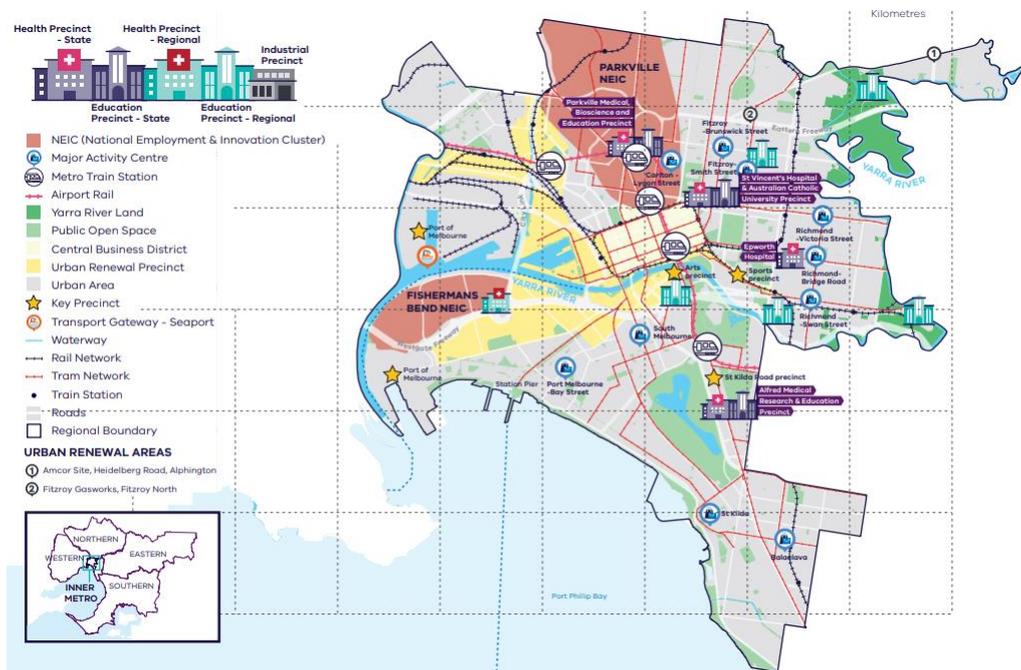
- Urban Renewal Precincts including Fishermans Bend as well as Southbank, Docklands, Arden and Macaulay;
- The ‘St Kilda Road Precinct’ as a ‘Key Precinct’;
- The Metro Train Station (ANZAC Station); and
- Each of the four Major Activity Centres from Plan Melbourne (Bay Street Port Melbourne, South Melbourne, St Kilda and Balaclava).

Adjacent to Port Phillip in neighbouring municipalities are:

- The Fishermans Bend NEIC (one of two NEICs in the region alongside Parkville);
- The Alfred Medical Research and Education Precinct;
- The Port of Melbourne (‘Key Precinct’); and
- The Arts Precinct (‘Key Precinct’).

With the exception of the Fishermans Bend Urban Renewal Area and the St Kilda Road Precinct, there are few significant precincts in Port Phillip compared with other municipalities in the inner metro region.

F7. INNER METRO LAND USE 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 the SEEF 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 the SEEF 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."

Key strategies of the plan relevant to the SEEF include:

- 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 23. Ensure the mixed-use precincts within the Fishermans Bend Urban Renewal Area provide adequate land for employment purposes which complement or service the adjacent Fishermans Bend NEIC.
- 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.

3.3.5. KEY POLICY CONCEPTS FOR EMPLOYMENT

In addition to the hierarchy and significance of precincts and activity centres, Plan Melbourne and subsequent government planning studies promote three key policy concepts that are particularly relevant to employment in Port Phillip:

- An expanded Central City;
- Enterprise Precincts; and
- 20 minute neighbourhoods.

EXPANDED CENTRAL CITY

Plan Melbourne identifies that the central city (including the St Kilda Road corridor) is of State significance and seeks to provide for the continued growth of knowledge intensive and high-skilled firms while continuing to be a major area for tourism, retail, residential, entertainment, sporting and cultural activities.

Plan Melbourne notes that for the central city to remain a desirable destination for business investment and a major destination for tourism, new space must be found for office, retail, education, health, entertainment and cultural activities. Creating new opportunities and infrastructure, particularly in major urban renewal precincts, can help support this.

The Fishermans Bend Urban Renewal Area is a key element of the expanded central city and is expected to significantly contribute to the central city's challenge of accommodating an additional 450,000 jobs between 2011 and 2050.²

This policy concept is directly relevant to St Kilda Road and Fishermans Bend.

ENTERPRISE PRECINCTS

Although not referenced in Plan Melbourne, 'Enterprise Precincts' have been the focus of investigation by the State government through the *Unlocking Enterprise in a Changing Economy* policy paper (DELWP, 2018)³ as a means of implementing the strategic direction of the Plan, in particular to tackle the challenge of creating the jobs of the future.

Enterprise precincts are defined in the policy paper 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".⁴

Examples of existing or emerging precincts in Melbourne identified in the policy paper include South Melbourne (within the City of Port Phillip), as well as other inner urban precincts such as West Melbourne, Cremorne and Brunswick.

The position paper identifies nine factors which drive the success of Enterprise Precincts as shown in Figure 8.

This policy concept is directly relevant to South Melbourne.

² Fishermans Bend Framework, 2018.

³ *Unlocking Enterprise in a Changing Economy*, DELWP, 2018.

⁴ Brookings Institute; Cremorne Place Implementation Plan, 2020.

F8. FACTORS DRIVING THE SUCCESS OF ENTERPRISE PRECINCTS



Source: DELWP 2018.

20 MINUTE NEIGHBOURHOODS

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 key elements are summarised in Figure 9.

This policy concept is relevant to Port Phillip’s activity centres, including Major, Neighbourhood and Local centres. The concept is particularly relevant in the context of Port Phillip’s strong network of ‘villages’ and the economic and social changes occurring as a result of the COVID pandemic – these issues are discussed in detail in the following sections.

It is noted that the Community Vision of the current Council Plan aims to ensure “visiting lively shopping and dining destinations or accessing public transport is all possible within a 10 to 15-minute walk from our neighbourhoods”, a similar yet more localised objective to that of Plan Melbourne.

F9. 20 MINUTE NEIGHBOURHOOD CONCEPT



Source: Plan Melbourne, DEWLP, 2017.

3.4. LOCAL POLICY AND PLANS

The current Port Phillip Local Planning Policy Framework (LPP) provides a series of policy directions and strategies to manage the future development of land within the municipality.⁵

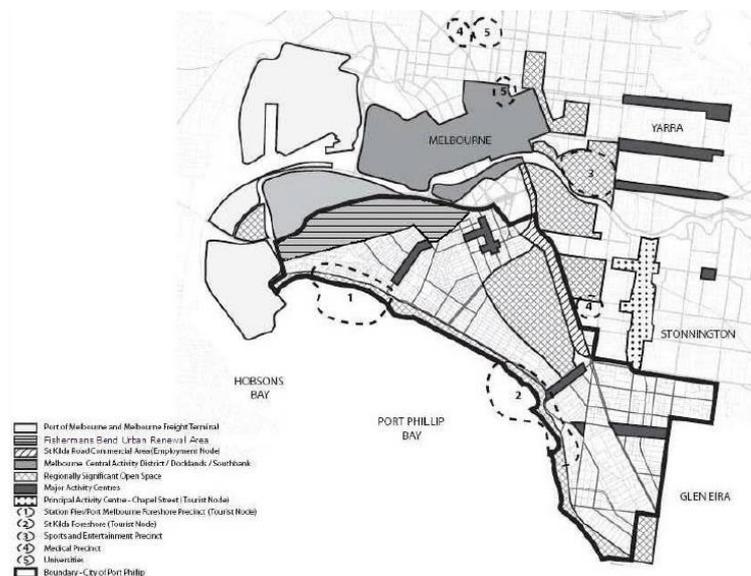
Key policies relevant to the economy, employment, locations of growth and priorities across the municipality are summarised below:

- **Clause 21.01 Vision and Approach** – Key approaches identified to support the economic development and sustainability of the municipality include contributing to increased employment densities close to public transport and building upon competitive strengths to ensure maximum job opportunities in a changing economy.
- **Clause 21.02 Municipal Context and Profile** – Identifies Port Phillip as contributing to Victoria’s economic prosperity, including through providing a significant amount of land for industrial and other employment uses, supporting the Port of Melbourne, supporting a local tourism industry and as a host of major cultural and sporting events. The role of Station Pier as a major national and international gateway to Melbourne and the regional role of the Port Phillip foreshore are also identified.⁶ The Clause also acknowledges the role of Port Phillip in providing a diverse community of workers and visitors.

Four main economic drivers of retail, commerce, industry and tourism are identified. Due to residents ‘relating strongly to their local area’ neighbourhoods in Port Phillip are planned separately.

Figure 10 identifies significant local areas in the municipality.

F10. CITY OF PORT PHILLIP LOCALITY MAP



Source: Clause 21.02 of the Port Phillip Planning Scheme.

⁵ The Port Phillip Planning Scheme Review Audit Report (2018) is currently in the process of being implemented through Planning Scheme Amendment C203.

⁶ The Spirit of Tasmania has announced relocation of terminal facilities to Corio Quay near Geelong in late 2022, leaving only larger cruise ships using the pier.

- **Clause 21.04 Land Use** – Provides detailed direction for activity centres, office and mixed use areas, industry and tourism and the arts. A summary of the policy direction for each land use is provided below.
 - **Activity Centres** – Identifies the need to retain the current diverse business mix of each Activity Centre to ensure they are economically viable and meet the needs of the local and wider community.
 - **Office and Mixed Use** – Provides direction for office and mixed use land within Port Phillip. Key directions are the identification of Fishermans Bend as a primary employment node and an area which transition from industrial to a mixed use area, with residential and commercial development and St Kilda Road as a primary employment node and a location for office and related commercial uses, supporting the capital city role / function.
 - **Industry** – Identifies Port Phillip as the location of one of the largest concentrations of industrial land in inner Melbourne and therefore has a role in providing / generating employment, production and economic activity.
 - **Tourism and the Arts** – Identifies Port Phillip as a major tourism destination at a metropolitan, regional and national level. Key objectives and strategies include promoting the municipality as a premier tourism destination, improving access to attractions and minimising the impact of tourism and entertainment uses.
- **Clause 21.06 Neighbourhoods** – Provides detailed direction for key neighbourhoods within Port Phillip including East St Kilda and Balaclava, Elwood and Ripponlea, Middle Park and Albert Park, Port Melbourne and Garden City, South Melbourne, St Kilda, St Kilda Road North Precinct and Fishermans Bend Urban Renewal Area.

The Port Phillip Planning Scheme also outlines specific policy and directions for key activity centres and other precincts including Clause 22.09 – St Kilda Foreshore Policy, Clause 22.11 – Carlisle Street Major Activity Centre Policy, Bay Street Activity Centre Policy and Fishermans Bend Urban Renewal Area Policy.

LOCAL STRATEGIC PLANS

Table 3 identifies the Structure Plans or Urban Design Frameworks which apply to MACs, NACs and key precincts in Port Phillip.

Three of the four Major Activity Centres have Structure Plans, however the plans for South Melbourne and Balaclava are more than 10 years old. No Neighbourhood Activity Centres have Structure Plans, although these centres are generally limited in land area and would not generally require a structure plan (with the possible exception of Bridport / Victoria Street, Albert Park).

Key precincts have strategic plans in place except the two 'tourist node' precincts identified in the Municipal Strategic Statement (Station Pier / Port Melbourne Foreshore and St Kilda Foreshore).

T3. KEY PRECINCTS, MAJOR ACTIVITY AND NEIGHBOURHOOD ACTIVITY CENTRE PLANS

Name	Strategic Plan	Date
Major Precincts		
Fishermans Bend Urban Renewal Area	Fishermans Bend Framework Plan	2018
St Kilda Road Commercial Area	St Kilda Road North Precinct Plan	2013 (Updated 2015)
	St Kilda Road South Urban Design and Land Use Framework	2015
Station Pier / Port Melbourne Foreshore	None	-
St Kilda Foreshore	St Kilda Foreshore Urban Design Framework	2002
Major Activity Centre (MAC)		
Bay Street, Port Melbourne	Bay Street Activity Centre Structure Plan (Part 1)	2014
	Bay Street Activity Centre Structure Plan Precincts and Projects (Part 2)	2014
South Melbourne Central	South Melbourne Central Structure Plan	2007*
	South Melbourne Central Urban Design Framework	2007*
Balaclava (Carlisle Street)	Carlisle Street Activity Centre Structure Plan Carlisle Street Urban Design Framework	2009
St Kilda (Fitzroy / Acland Streets)	None	-
Neighbourhood Activity Centre (NAC)		
Centre Avenue, Garden City	None	-
Bridport / Victoria Streets, Albert Park	None	-
Armstrong Street, Middle Park	None	-
Glen Eira Road, Ripponlea	None	-
Tennyson Street, Elwood	None	-
Ormond / Glen Huntly Roads, Elwood	None	-

Source: City of Port Phillip, compiled by Urban Enterprise.

* South Melbourne Structure Plan update under preparation.

The Planning Scheme also identifies four smaller local centres: Inkerman / Grey Streets, St Kilda; Inkerman Street, East St Kilda; Brighton Road, Elwood; and Graham Street, Port Melbourne.

FISHERMANS BEND

Fishermans Bend is Australia's largest urban renewal project covering approximately 480 hectares between the Central Business District, Port of Melbourne, Yarra River and Port Phillip Bay.

The transformation of Fishermans Bend is guided by the Fishermans Bend Framework; a plan for the area's transition into a connected, liveable, prosperous, inclusive, healthy and environmentally sustainable place providing for 80,000 residents and 80,000 jobs.

Fishermans Bend comprises five precincts across two municipalities:

- Plan Melbourne's 'Fishermans Bend National Employment and Innovation Cluster' (NEIC), known as the Fishermans Bend Employment Precinct located in the City of Melbourne.
- Plan Melbourne's 'Fishermans Bend Urban Renewal Area' (URA), comprising four mixed use precincts including Lorimer in the City of Melbourne, and Montague, Sandridge and Wirraway Precincts in the City of Port Phillip.

The Fishermans Bend NEIC has a vision to become Australia's leading design, engineering and advanced manufacturing precinct, accommodating 40,000 jobs. NEICs are locations where policy supports an improvement in growth and clustering of business activity that is of national significance.

The Fishermans Bend URA is planned to become a high density mixed use area in the Capital City Zone that is projected to accommodate 40,000 jobs and 80,000 residents at full development.

Figure 11 shows the Fishermans Bend precincts, with Table 4 showing the expected land use and employment outcomes.

F11. FISHERMANS BEND FRAMEWORK PLAN - PRECINCTS



Source: Fishermans Bend Framework Plan, 2018.

T4. FISHERMANS BEND PLANNED LAND USE, EMPLOYMENT AND RESIDENTIAL OUTCOMES

Precinct	Employment	Residents	Land use focus
Wirraway	4,000	17,600	Inner city neighbourhood
Sandridge	26,000	27,200	Office and commercial centre, balanced with diverse housing and retail.
Montague	4,000	23,200	Mixed use precinct
Lorimer	6,000	12,000	Mixed use precinct
Employment (NEIC)	40,000 (+20,000 students)	0	Advanced manufacturing, engineering and design.

Source: Fishermans Bend Framework Plan, 2018.

The Framework Plan for the URA sets out eight ‘sustainability goals’, one of which is “a prosperous community.” This goal seeks to support “diverse employment and education opportunities” and notes that “opportunities for commercial and creative industries will be preserved to ensure a balanced mix of uses is provided, building on the areas strengths including proximity to the CBD and Port of Melbourne.” (p.25)

3.5. EMPLOYMENT LAND HIERARCHY

A hierarchy of employment precincts in Port Phillip is shown in Table 5 – this has been determined by applying the Plan Melbourne and MICLUP categorisation. Neighbourhood and Local Activity Centres are based on local policy.

T5. EMPLOYMENT LAND HIERARCHY

Category	Significance	Port Phillip Precincts and Centres
Commercial Areas / Activity Centres		
Central City	State	St Kilda Road
Urban Renewal Area	State	Fishermans Bend URA
Major Activity Centre	Regional	Port Melbourne - Bay Street South Melbourne St Kilda Balaclava
Neighbourhood Activity Centre	Local	Centre Avenue, Garden City Bridport / Victoria St, Albert Park Armstrong Street, Middle Park Glen Eira Road, Ripponlea Tennyson Street, Elwood Ormond / Glen Huntly Rd, Elwood
Local Activity Centre	Local	Inkerman / Grey St, St Kilda Inkerman Street, East St Kilda Brighton Road, Elwood Graham Street, Port Melbourne
Local Commercial Area	Local	St Kilda Road South Albert Road, South Melbourne
Industrial Areas		
Regionally Significant Industrial Area	Regional	South Melbourne Central
Local Industrial Area	Local	William Street, Balaclava York Street, South Melbourne Evans Street, Port Melbourne

Source: Urban Enterprise, based on Plan Melbourne (Central City, Urban Renewal Area, Major Activity Centres), Melbourne Industrial and Commercial Land Use Plan (Regionally significant commercial and industrial areas, local industrial areas, local commercial areas where not included in activity centres or other categories) and Port Phillip Planning Scheme (Neighbourhood Activity Centres and Local Activity Centres).

3.6. PLANNING FRAMEWORK OPPORTUNITIES

The economic and policy context influencing development and land use in inner Melbourne is changing quickly, underlining the importance of current economic analysis and strategic plans to provide guidance to the business and residential communities and the development sector for each key precinct in the municipality.

The review of current State and local planning policies and frameworks in this section shows that there are several areas of policy and strategy that Council can strengthen in support of the local economy and planning for employment.

PART B. ECONOMIC ANALYSIS

4. KEY TRENDS AND DRIVERS OF CHANGE

4.1. INTRODUCTION

This section considers major economic trends influencing Melbourne and inner urban areas, and the current and future spatial drivers of economic change and opportunity in Port Phillip based on recent development, property market conditions, major land use changes and proposed infrastructure and institutional investment in the sub-region.

4.2. KEY POINTS

- 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. An opportunity and challenge for Port Phillip will be to capitalise on areas of strength, specialisation and agglomeration in the growing sectors of knowledge-based services, health and education.
- The focus on advanced manufacturing in Victoria will encourage businesses, workers and students to seek proximity to the Fishermans Bend, while remaining industrial land and premises suitable for creative activities and innovation in inner urban areas will have an important role to play in productivity growth.
- Activity centres and commercial strips historically reliant on traditional retail trade will require a greater diversification of land uses to remain competitive in the context of retail sector changes, especially intense on-line competition.
- Economic recovery from the COVID pandemic will require space to be made available for new businesses across a range of sectors and employment land types, however precincts with strengths in hospitality, tourism and events will require particularly strong policy and investment support to facilitate sustained recovery.
- 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.
- An ageing population and increasing demand for health services will require suitable premises in locations accessible to residents such as activity centres as well as identification of locations where health-related activities and businesses can capitalise on major health institutions.
- The northern part of the municipality is the subject of major public transport investment and land use change which presents opportunities for business attraction and employment growth. This area has, however, also been the main focus of residential development in Port Phillip recent years, presenting strong competition between residential and non-residential uses in the municipality's most strategic economic precincts.
- The trend towards city fringe and inner suburban office demand requires a precincts approach to strategic planning to attract existing and emerging businesses. This is especially true for businesses involved in creative activities and those needing to attract and retain specialised talent which has a growing range of physical and digital workplace options.
- Major investment in health, education and cultural institutions is proposed near the Port Phillip boundaries. A precinct approach to planning for economic opportunities in these areas is required.
- The substantial population increase expected within major urban renewal precincts within and adjacent to the municipality will increase demand for retail and services in Port Phillip, as well as creating a larger labour force. Accommodating business and employment growth in the northern part of the municipality should be an economic priority.

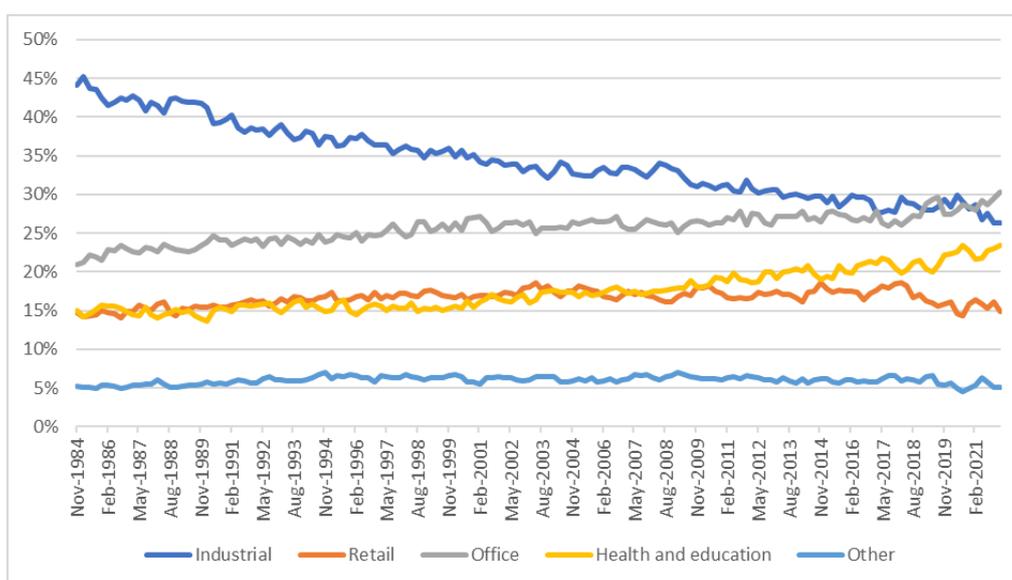
4.3. KEY TRENDS

STRUCTURAL CHANGE

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.

The trend is demonstrated in Figure 12 which shows the share of employment in Greater Melbourne within each of the main sectors of industrial, retail, office (including a range of services typically occupying office space), health and education and other industries. Industrial employment in Melbourne has primarily been replaced by office-based services and health and education jobs.

FI2. GREATER MELBOURNE EMPLOYMENT BY INDUSTRY, 1984-2021



Source: ABS Labour Force, Greater Melbourne; Urban Enterprise.

Port Phillip’s economy and land use mix 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.

An opportunity and challenge for Port Phillip will be to capitalise on areas of strength, specialisation and agglomeration in the growing sectors of knowledge-based services, health and education.

GLOBAL TRENDS IN MANUFACTURING

Structural changes in the Australian manufacturing industry, such as closing manufacturing operations or production shifting to lower labour cost countries, have caused the manufacturing industry to decline over the past 40 years in Victoria. Australia has a comparative disadvantage in producing homogenous and labour-intensive goods.

Conversely, research and development operations are an industry where Australia's highly skilled workforce are well suited and the effect of Australia's labour cost disadvantages are less significant. Advanced manufacturing is a priority for the Victorian Government, with a vision for Victoria to be "home to internationally competitive manufacturers creating value from design, engineering, data and services..."⁷

The location of most relevance to this trend is the Fishermans Bend National Employment and Innovation Cluster which is planned to accommodate advanced and complex manufacturing as well as a University of Melbourne campus focusing on engineering and design. Although the Employment Precinct is located in the City of Melbourne, proximity to specialised education and employment will be of benefit to both businesses and residents of Port Phillip.

At the local level, the economic importance of inner urban industrial and mixed use precincts which drive innovation and accommodate smaller industrial and related business types (such as urban and micro-manufacturers, maker spaces and co-working) is becoming better understood and acknowledged as important to creating employment and adding value in dense urban environments.⁸ In Port Phillip, the dense urban environment and competition for land from several uses warrants consideration of how remaining industrial land can be optimised for small scale innovation and collaboration.

RETAIL SECTOR CHANGES

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 has accelerated online retail user growth and sales, with e-commerce experiencing five years of growth in less than 12 months during the Pandemic.⁹ 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.

Port Phillip's retail offering is primarily within outdoor strip shopping centres with a large number of independent retailers and hospitality businesses which will remain impacted by the structural changes to retail. Governments and retail asset owners alike are responding to the retail sector challenges by facilitating a greater diversity of land uses, business types and activities within retail areas to reduce the reliance on retail only locations and create visitor experiences which cannot be replicated online. There is strong alignment between this approach and the planning concept of the 20-minute neighbourhood, where employment and hospitality uses in particular are encouraged within and adjacent to retail centres.

⁷ Advancing Victorian Manufacturing, Victoria State Government. 2017.

⁸ Unlocking Enterprise in a Changing Economy, DELWP, 2018.

⁹ Australian Retail Outlook 2021, KPMG

PANDEMIC RECOVERY ALONGSIDE LONG TERM ECONOMIC CHALLENGES

Despite global economic uncertainty fuelled by the COVID pandemic and related disruptions, the Australian economy has rebounded strongly in 2021 and 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 onwards¹⁰. Some short term challenges remain, however, including high inflation and rising interest rates.

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, especially for women. 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.

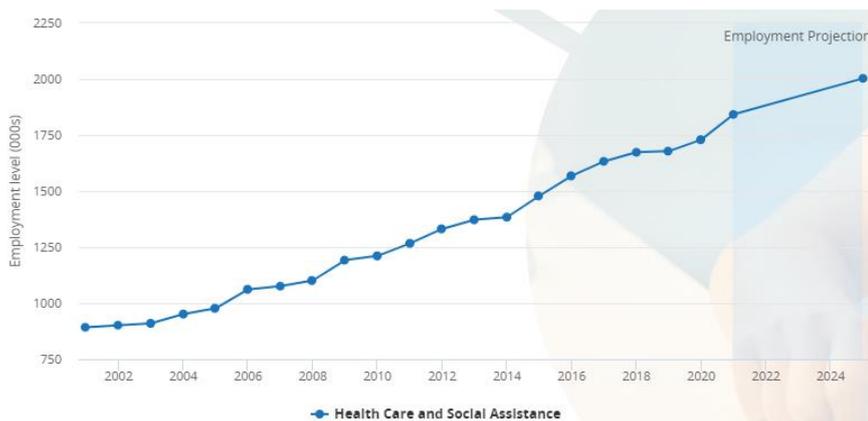
The Report highlights the importance of business creation and support for innovation and experimentation, lending support to spatial strategies which identify precincts, places and premises where creative activities can occur.

AGEING POPULATION AND HEALTH SECTOR GROWTH

Consistent with the national trend, the population of Victoria and of Port Phillip is projected to age significantly over the planning period for this study. Victoria in Future projections indicate that Port Phillip is expected to experience a net increase in residents aged over 65 years of 10,836 people from 2021 to 2036, resulting in the proportion of residents aged over 65 increasing from 13% in 2021 to 16% in 2036.

The ageing population is leading to increased demand for health services, hospital admissions, health care workers and associated land and premises. As this trend plays out across Melbourne region, strategic planning has a role in ensuring health services can be accommodated within employment land and activity centres, especially in locations which support an agglomeration of health services such as near hospitals and medical centres.

F13. HEALTH CARE AND SOCIAL ASSISTANCE EMPLOYMENT GROWTH, 2002 - 2024



Source: National Industry and Skills Committee.

¹⁰ Budget Paper No. 2, Strategy and Outlook, May 2021.

SPATIAL IMPLICATIONS OF ECONOMIC TRENDS

The spatial implications of these trends are summarised as follows:

- 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.
- The focus on advanced manufacturing in Victoria and Fishermans Bend will encourage businesses, workers and students to seek proximity to the NEIC, while remaining industrial land and premises suitable for creative activities and innovation in inner urban areas will have an important role to play in productivity growth.
- Activity centres and commercial strips historically reliant on traditional retail trade will require a greater diversification of land uses to remain competitive.
- Economic recovery from the COVID pandemic will require space to be made available for new businesses across a range of sectors and employment land types, however precincts with strengths in hospitality, tourism and events will require particularly strong policy and investment support to facilitate sustained recovery.
- 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.
- Demand for health services will require suitable premises in locations accessible to residents such as activity centres as well as identification of locations where health-related activities and businesses can capitalise on major health institutions.

4.4. SPATIAL DRIVERS OF CHANGE

COMPETITION BETWEEN RESIDENTIAL AND NON-RESIDENTIAL DEVELOPMENT

Competition between residential and non-residential uses is a planning challenge in activity centres and employment precincts with flexible land use zoning. The Managing Residential Development Advisory Committee (2016) found that “the Commercial 1 Zone and Mixed Use Zone are being increasingly used for residential, rather than commercial development in metropolitan Melbourne” and that residential rather than commercial investment in some activity centres is “potentially to the detriment of those activity centres and communities, where a more balanced provision of land uses might achieve broader planning objectives relating to service provision, accessibility and employment creation.”

The Port Phillip Planning Scheme Review Audit Report (2018) noted that “a more proactive approach may be required in Port Phillip to protect office use from competition with residential development, particularly in the St Kilda Road North which remains an important employment district.”

Table 6 summarises the value of private sector building approvals in Port Phillip over the past 5 years (2016 – 2021). Building has been strongly weighted towards residential land uses which accounted for 78% of all building works value over the period, compared with 19% for commercial and 3% for industrial uses. Residential development has had greatest overall value in St Kilda, South Melbourne and Albert Park SA2 (including St Kilda Road), while more than half of all commercial development was in the South Melbourne SA2 which is the only area with a dedicated employment-only zone (the Commercial 2 Zone).

Table 7 shows that in major residential projects completed between 2016 and 2020 (10 dwellings or more), 51% of dwellings were in the C1Z and a further 30% were in the Capital City Zone and MUZ combined.

T6. VALUE OF BUILDING APPROVALS BY SA2, 2016 – 2021

SA2	Residential (\$m)	Commercial (\$m)	Industrial (\$m)	Total (\$m)	% of total
Albert Park (inc. St Kilda Road)	\$620.41	\$88.98	\$5.82	\$715.20	17%
Elwood	\$320.58	\$2.24	\$0.00	\$322.82	7%
Port Melbourne	\$232.00	\$14.25	\$3.38	\$249.64	6%
Port Melbourne Industrial	\$122.01	\$192.73	\$108.56	\$423.30	10%
South Melbourne	\$880.52	\$454.23	\$4.29	\$1,339.04	31%
St Kilda	\$1,000.72	\$75.70	\$0.00	\$1,076.42	25%
St Kilda East	\$177.72	\$12.50	\$0.06	\$190.28	4%
Total	\$3,353.95	\$840.64	\$122.10	\$4,316.70	100%
% of total	78%	19%	3%	100%	

Source: ABS; Urban Enterprise. Green shading shows higher values, red shows lower.

T7. SUBURB AND ZONE OF DWELLINGS IN MAJOR RESIDENTIAL DEVELOPMENTS, 2016 - 2020

Suburb	C1Z	CCZ1	MUZ	RGZ1	GRZ	NRZ	Total	%
Albert Park	0	0	0	0	27	0	27	0%
Balaclava	39	0	0	16	60	0	115	2%
Elwood	0	0	0	85	129	65	279	5%
Melbourne (St Kilda Road)	1568	0	0	159	0	0	1727	28%
Middle Park	0	0	0	0	16	0	16	0%
Port Melbourne	0	743	171	0	14	0	928	15%
Ripponlea	0	0	0	0	38	0	38	1%
South Melbourne	1161	216	15	0	0	0	1392	22%
St Kilda	416	0	761	0	283	26	1486	24%
St Kilda East	0	0	0	0	57	42	99	2%
Windsor	0	0	0	91	0	0	91	1%
Total	3184	959	947	351	624	133	6198	100%
%	51%	15%	15%	6%	10%	2%	100%	

Source: Urban Development Program; Urban Enterprise. Green shading highlights higher values.

OFFICE PROPERTY MARKET CONDITIONS

Melbourne's office market is recovering from the effects of the COVID pandemic.¹¹ 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.

The strong increase in rents and new office development in the inner east suburbs such as Richmond, Cremorne and Collingwood have 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. Sub-leasing in central city offices is currently strong.

Overall, demand projections for the office market are strong despite the disruptions caused by the COVID pandemic. A substantial number of new office supply projects were placed on hold until conditions improve, however projections for development and absorption are generally for a return to positive growth in the short term.

The main implications for this project are consideration of changing worker and business preferences towards genuine mixed use areas, facilitating the projected increase in overall space demand over the medium term across the municipality, accounting for the likely continuation of different types of hybrid and remote working, and planning for a suitable mix of land uses in St Kilda Road given the strategic location and flexible zoning.

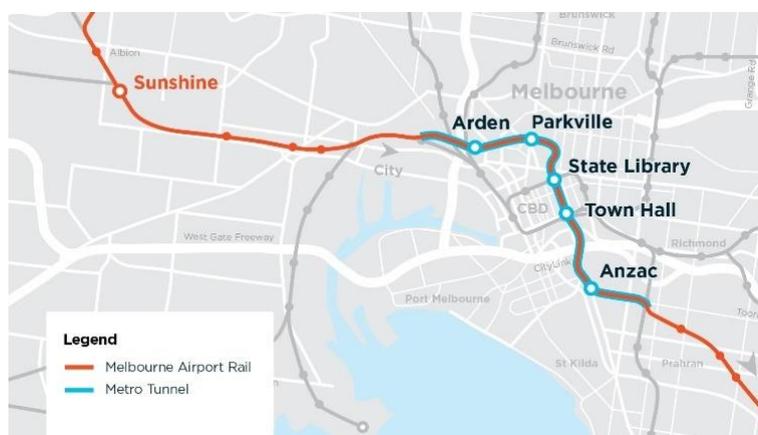
¹¹ Commentary in this sub-section based Urban Enterprise experience and property market commentary reports including: St Kilda Road and Southbank Office Market Report, Knight Frank, April 2021, Melbourne Metro Office Q4 2021, Cushman and Wakefield; Melbourne CBD Office Market Report, Knight Frank, September 2021; Melbourne Fringe Office Market, Knight Frank, September 2019.

MELBOURNE METRO

Significant investment is currently underway to improve the public transport system in Melbourne, including in and around Port Phillip. The Melbourne Metro Tunnel is expected to be completed in 2025 and includes the construction of five new rail stations at Arden, Parkville, State Library, Town Hall and Anzac (see Figure 14). The Tunnel will connect to the future Melbourne Airport Rail, expected to be completed in 2029.

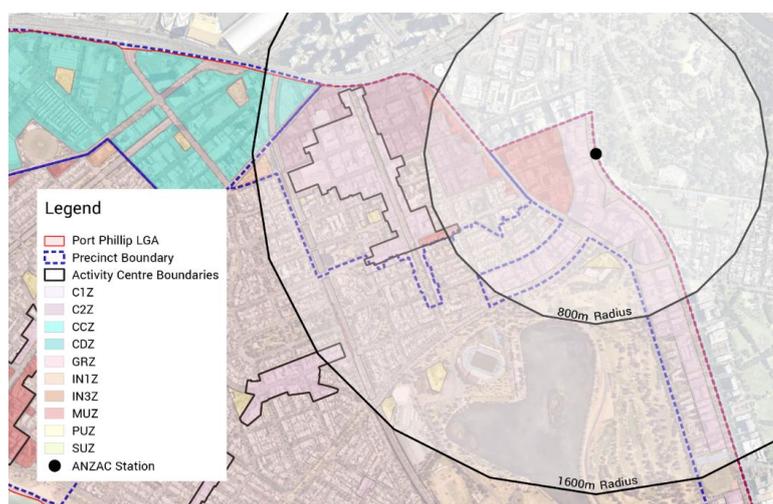
ANZAC Station will fundamentally change the accessibility of surrounding land to the broader rail network. Figure 15 shows the areas that will benefit from walking distance to the station and the broader train network. The areas within 800m of the station include the Commercial 1 Zone in St Kilda Road North (north of Toorak Road), Albert Road, the eastern section of the South Melbourne Commercial 2 Zone and the Mixed Use Zones in Domain and Kings Way.

F14. MELBOURNE METRO TUNNEL



Source: Victorian State Government, 2020.

F15. ANZAC STATION SURROUNDS



Source: Urban Enterprise.

The Melbourne Metro Business Case¹² identifies the following relevant implications for the Melbourne economy overall and for the ANZAC Station precinct in particular:

- Employment in Melbourne's CBD is expected to increase by an additional 28,000 jobs due to the project by alleviating commuter rail capacity constraints. Facilitating additional jobs to locate in the already dense core of metropolitan Melbourne enables increased interaction between firms and between workers. This further improves input and output sharing and knowledge spill-over, making CBD based firms more productive.
- Agglomeration benefits are expected to occur primarily in the CBD, Southbank, St Kilda Road, South Melbourne, Docklands and inner northern parts of inner Melbourne. Industries that benefit most from Melbourne Metro will be Professional, Scientific and Technical services and Health Care and Social Assistance.
- Highly productive knowledge based and advanced professional jobs are located and are expected to continue to be concentrated in central Melbourne. 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 existing 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 Port Phillip planning framework has an important role to play in ensuring that the potential economic benefits of the Melbourne Metro project are realised, particularly in terms of economic agglomeration and accommodating employment growth in an expanded central city.

CENTRAL CITY EXPANSION AND URBAN RENEWAL

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 National Employment and Innovation Cluster. This area will compete for investment and business growth with Port Phillip.

The gradual spatial shift expected towards the west of the CBD will create opportunities for Port Melbourne and South Melbourne which will become substantially more accessible to inner urban residents and businesses than previously.

¹² Melbourne Metro Business Case, February 2016, Victorian Government. Appendix 5: Public Transport Demand Forecasts; Appendix 6: Economic Evaluation.

FISHERMANS BEND CATALYST LAND USES

Development of the Fishermans Bend NEIC and Fishermans Bend URA will transform the area. Part of Fishermans Bend are expected to accommodate substantial commercial employment (such as Wirraway), while other areas are expected to accommodate a mix of employment and residential uses.

The Vision for NEIC is to be “internationally renowned as a centre of innovation in advanced manufacturing, engineering and design.”¹³ It is expected that the presence of major businesses, government and education institutions in the NEIC at the border of the City of Port Phillip will encourage other businesses, workers and students to seek proximity, especially given the substantial transport investments proposed to connect the NEIC to Port Phillip and other parts of inner Melbourne.

Key land uses expected to catalyse further development in Fishermans Bend include the new University of Melbourne engineering and design campus and the development of the General Motors Holden site. The new university campus forms part of an approximately \$1 billion investment from the University of Melbourne to deliver a “world-class” engineering school. The campus will cover 7.2 hectares of land with Stage 1 expected to be completed in 2025. Departments expected to be located within the campus include the Faculty of Engineering and Information Technology and the Faculty of Architecture, Building and Planning. Early estimates found that the new campus will contribute \$8 billion to the Victorian economy and generate over 15,000 jobs by 2035.

In addition, the Victorian Government committed \$179.4 million to begin development within the Fishermans Bend NEIC at the former General Motors Holden site primary land uses proposed including advanced manufacturing, engineering and design. It is expected defence, aerospace, clean energy and transport jobs will be supported within the site and wider Precinct.

In terms of retail land use, Fishermans Bend is expected to accommodate major retail investment from large retailers and potentially shopping centre groups to delivery activity centres throughout the Urban Renewal Area. The availability of large land holdings will facilitate this type of major development – opportunities for this type of development elsewhere in the municipality have been scarce. As a result, existing supermarkets and other retailers in the northern parts of the municipality are likely to experience more intense competition for spending, particularly relevant to the spending of South Melbourne and Port Melbourne residents. As an early example, a full line Woolworths store and accompanying Dan Murphy’s liquor retailer have recently been completed in Fishermans Bend, competing with existing Port Melbourne stores.

MELBOURNE ARTS PRECINCT AND TRANSFORMATION

Adjacent to the northern boundary of Port Phillip 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.

The transformation project is described¹⁴ as ‘Australia’s largest cultural infrastructure project’. It is anticipated to commence in 2022, cost \$1.46bn for Stage 1, and will deliver:

- A new 18,000 square metre public open space including space for outdoor art and performances;
- NGV Contemporary, a new gallery dedicated to contemporary art and design;
- New connections and improved access into and through the precinct
- Significant upgrades to The State Theatre; and

¹³ Advancing Manufacturing, the Fishermans Bend Opportunity, Victorian Government, 2021.

¹⁴ Development Victoria, <https://www.development.vic.gov.au/projects/melbourne-arts-precinct>; Creative Victoria, <https://creative.vic.gov.au/major-initiatives/melbourne-arts-precinct/transformation>

- New restaurants and bar spaces.

Phase Two of the project will include:

- An upgraded and reimagined Arts Centre Melbourne Theatres Building; and
- A new Centre for Creativity, run by Arts Centre Melbourne, with spaces and facilities for Victoria's small to medium and independent arts sector, a new performing arts gallery and an expanded Australian Music Vault.

The Transformation Project represents a major government investment in close proximity to the City and which is well aligned to the economic and cultural strengths of Port Phillip. It will also greatly modernise and improve the attractiveness of the Precinct to local residents and visitors through hospitality, events and exhibitions, a major drawcard in the competition for global talent and local investment.

Related to arts and creative investment in inner Melbourne, Docklands is the focus of Victorian government investment in screen productions. Docklands Studios has been expanded through the construction of a new 'super sound stage' which enables large scale productions to be accommodated.

ALFRED HOSPITAL

The Alfred Hospital, a major tertiary and quaternary referral hospital, is one of Australia's busiest emergency and trauma centres. Its location to the immediate east of the municipal boundary means that proximity to the hospital is excellent for related businesses in industries such as accommodation, medical and professional services.

The Hospital is currently undertaking a redevelopment to construct a new St Kilda Wing and Inpatient Tower which it describes as the most significant hospital infrastructure development in Victoria's history. The expansion and redevelopment of the hospital will increase visitation and the prospect of business co-location with the hospital in nearby areas.

The importance of Health precincts is recognised in Plan Melbourne – such precincts generally have hospital anchors support a range of other health uses and health-related businesses nearby, especially consulting suites and allied health providers, as well as education and research organisations, accommodation and retail.

The Hospital itself recently purchased a strategic redevelopment site adjacent to the Hospital. Although not in Port Phillip, this signals the outward expansion of the hospital footprint and the importance and economic benefits of facilitating health-related business growth in proximity to the hospital. The lack of employment land to the east of the hospital means the Port Phillip section of employment land to the west is the most strategically located land to accommodate this growth.

PORT PHILLIP BAY ASSETS

Station Pier is Victoria's main cruise ship port. Although traffic has been affected by the COVID pandemic, the pier is a highly strategic transport asset which directly facilitates tourism visitation to and through the municipality. In 2022, the Spirit of Tasmania ferry will relocate to Geelong, leaving the primary role as accommodated international visitors. Attracting visitors to Port Phillip as part of Melbourne cruise visitation is a key economic opportunity.

Council is planning the redevelopment of the **St Kilda Marina**. Proposed uses for the Marina include boutique retail, restaurants and cafes as well as new boating facilities and public open space. Stages 1A and Stages 1B have an investment of \$31 million. The redevelopment will create new opportunity for businesses attraction and growth and drive additional visitation and employment at the St Kilda foreshore and through recreational boating opportunities.

The **St Kilda Triangle** precinct, currently a car park located next to the Palais Theatre in St Kilda, is a unique opportunity as one of Melbourne's last bayside renewal sites. The St Kilda Triangle Masterplan (2016) envisages the development of new public open space, cultural and tourism facilities.

These key waterfront assets and precincts present economic opportunities for the local areas, Port Phillip and Melbourne's visitor economy.

LOCATION OF KEY SPATIAL DRIVERS OF CHANGE

Figure 16 shows the spatial location of the key drivers of change discussed in this section. Implications for the SEEF are:

- The northern part of the municipality is the subject of major public transport investment and land use change which presents opportunities for business attraction and employment growth. This area has, however, also been the main focus of residential development in Port Phillip recent years.
- The Melbourne Metro project will re-position St Kilda Road North as part of a highly accessible extension of the central city.
- Major investment in health, education and cultural institutions is proposed near the Port Phillip boundaries. A precinct approach to planning for economic opportunities in these areas is required.
- The Fishermans Bend URA has an important role to play in accommodating businesses seeking proximity to both the Fishermans Bend NEIC and existing businesses and creative activities in South Melbourne.

F16. LOCATION OF SPATIAL DRIVERS OF CHANGE



Source: Urban Enterprise.

5. PORT PHILLIP ECONOMY

5.1. INTRODUCTION

This section provides an overview of the existing conditions of the Port Phillip economy and the specialisations and advantages which should be leveraged by the SEEF.

5.2. KEY POINTS

- With a Gross Regional Product of approximately \$15bn, Port Phillip's economy is significant to the Melbourne and Victorian economy. Office-based services make up 58% of the value added and have strongly increased this productivity measure over the past 6 years.
- Port Phillip hosts a substantial labour force which is heavily weighted to managers and professionals currently working in inner Melbourne, a characteristic which supports professional businesses within the municipality. The proportion of local labour with university qualifications is increasing.
- Port Phillip has comparative economic strengths in professional services, creative industry and tourism. Smaller and independent businesses are a dominant feature of the municipal business mix.
- Local employment is greatest in professional services, health care, accommodation and food and retail trade. Increases in construction, professional services and health care employment have driven recent growth.
- Employment is largely concentrated in the northern areas of St Kilda Road North, South Melbourne and Fishermans Bend.
- Port Phillip has historically been a hub for creative industry in Melbourne and Australia. 14% of the municipal workforce is employed in creative sectors – these jobs make up 11% of all such jobs in Greater Melbourne.
- Clusters of creative industry in South Melbourne (media and design) and St Kilda (art and music) create some of Melbourne's most prominent creative locations and align with cultural events and infrastructure.
- Port Phillip's institutions, events and natural environment create strong competitive advantages for creative activities, however the strong creative culture is being challenged by decreasing housing affordability, redevelopment of older premises, the COVID pandemic and the emergence of new cultural locations elsewhere in Melbourne.
- St Kilda is an iconic Victorian visitor destination. Before the pandemic, Port Phillip attracted 1.3m visitors per year, 58% of which visited St Kilda. Tourism and hospitality support a range of other sectors and represents an important economic specialisation.
- The majority of businesses surveyed intend to maintain or increase employment in the coming 12 months, however rental affordability is a common issue and is linked to business retention.
- The COVID pandemic has substantially impacted parts of the economy, especially events, hospitality and tourism. Longer term implications of the pandemic are likely to include greater demand for high quality, mixed use office environments, challenging conditions for in-store retailing and increased daytime population in residential areas.

5.3. OVERVIEW

Port Phillip accommodates a substantial local economy with a unique mix of industry. The municipality has historically been a hub for many businesses in Melbourne’s vibrant creative industry sector and is also a destination for local and international tourism. The professional services and financial services industries remain the most substantial in terms of both employment and output.

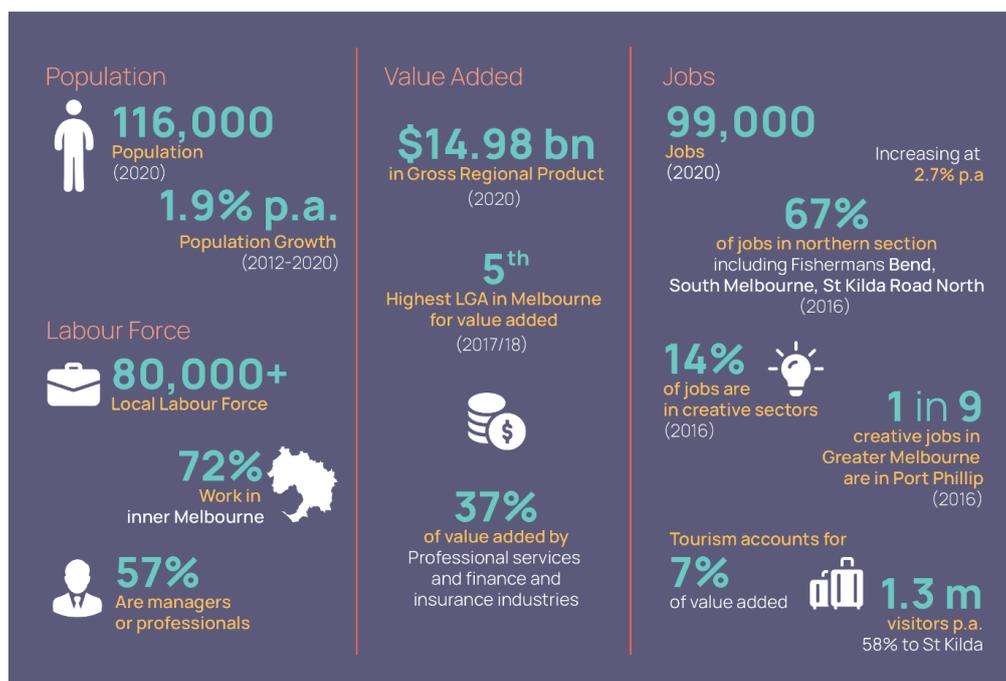
In the context of inner and Greater Melbourne, professional services, creative industry and accommodation and food services sectors are well represented in the municipality. Attractions such as the St Kilda foreshore, Luna Park and the Palais Theatre continue to support the visitor economy.

Port Phillip has a comparative economic strength in professional services, creative industry and tourism. Its proximity to the Melbourne CBD, beachside location, relatively advantaged community, excellent amenity, and creative culture contribute to the attraction of these industries to the municipality.

These strengths are recognised in existing policy to different extents, however broader economic conditions, trends and planning zone changes have combined to require renewed thinking around how best to maintain and strengthen these areas of advantage.

Figure 17 summarises headline economic indicators.

F17. ECONOMIC INDICATORS



Source: Urban Enterprise.

5.4. COMMUNITY PROFILE

The municipal population increased strongly in recent years at 1.9% per annum from 2012 to 2020 (pre-pandemic), although at a slower rate than inner Melbourne overall. The community is characterised by small households, above average incomes and a highly and increasingly educated resident base.

The population of Port Phillip was 116,476 as at June 2020, making up 16% of the population of inner Melbourne. The number of residents increased by 16,583 between 2012 and 2020, growing at an average annual rate of 2.0% or 2,073 people per annum since 2012.

The average population growth in Port Phillip was lower than that of both inner Melbourne (3.3%) and Greater Melbourne (2.4%) during the period. The increased concentration of high density living in Port Phillip has driven this population growth, particularly in the St Kilda and St Kilda Road precincts.

T8. ESTIMATED RESIDENT POPULATION, 2012-2020

Area	2012	2016	2020	CHANGE 2012-2020		
				Total	Average	AAGR
Port Phillip	99,893	108,627	116,476	+16,583	+2,073	1.9%
Inner Melbourne	549,795	633,471	713,203	+163,408	+20,426	3.3%
Greater Melbourne	4,268,835	4,714,387	5,159,211	+890,376	+111,297	2.4%

Source: ABS Estimated Residential Population, 2021; ABS Regional Population Growth, 2021.

Key socio-economic indicators for the municipality (from the 2016 Census) are summarised as follows:

- The median household income in Port Phillip is higher than both inner Melbourne and Greater Melbourne, reflecting the skilled workforce and high concentrations of employment in professional sectors.
- The average household size of 1.9 persons per dwelling is the lowest of any municipality in Melbourne. This is coupled with a high incidence of rented housing. Lone person households are the most common household type, followed by couples without children.
- 44% of Port Phillip residents over 15 years of age were university qualified in 2016 (Bachelors degree or higher), substantially higher than the Greater Melbourne proportion of 28%. The corresponding proportion in 2006 was 35%, demonstrating that the local labour force is increasingly professionally qualified.
- Port Phillip has a SEIFA index of 1,101, meaning the community is relatively advantaged in terms of access to material and social resources and ability to participate in society. This is the fourth highest index value for local government areas in Victoria, fourth highest in metropolitan Melbourne and second highest in the Inner Melbourne Action Plan area (behind only Stonnington).

5.5. LOCAL LABOUR FORCE

Port Phillip hosts a substantial labour force which is heavily weighted to managers and professionals currently working in inner Melbourne, a characteristic which supports professional businesses within the municipality.

The local labour force has increased steadily in recent years and now exceeds 80,000 workers. Unemployment has remained relatively low over the past 10 years, with some exceptions where the rate has briefly approached 6% in 2014 and early 2021 during the COVID pandemic (Figure 18).

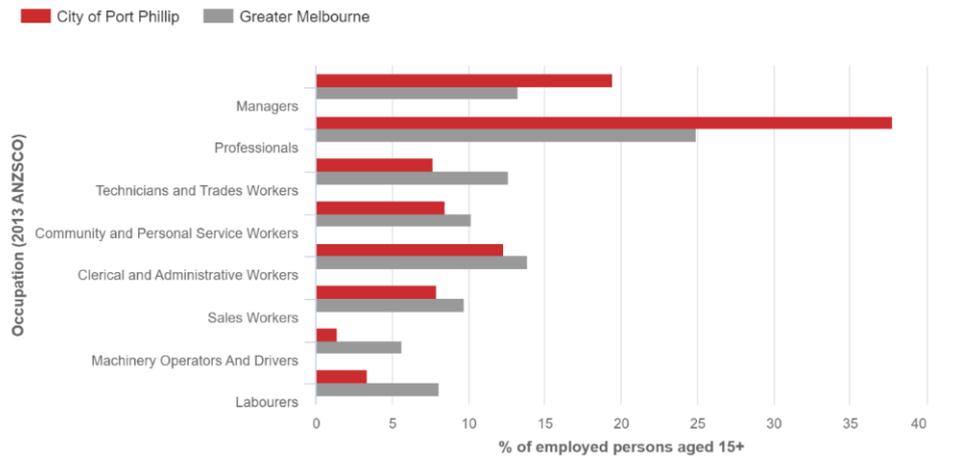
The labour force is heavily weighted to managers and professionals as shown in Figure 19, a characteristic which supports professional businesses within the municipality.

F18. LABOUR FORCE AND UNEMPLOYMENT RATE, PORT PHILLIP



Source: Australian Government Labour Market Portal, SALM September 2021.

F19. OCCUPATION OF EMPLOYMENT, PORT PHILLIP RESIDENTS, 2016



Source: ABS Census, via Profile ID.

The most common location (municipality) of employment for Port Phillip residents in 2016 were:

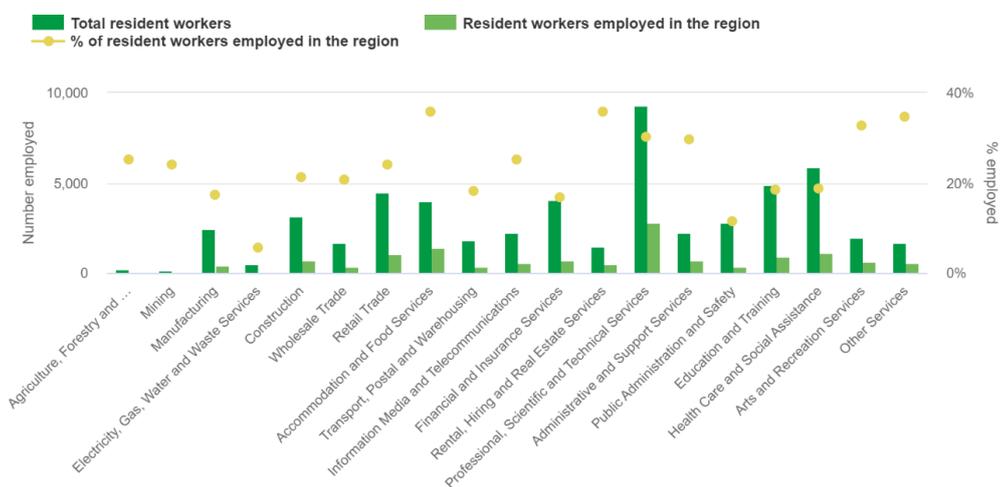
- City of Melbourne (37%);
- Port Phillip (24%);
- Other inner Melbourne LGAS including Yarra and Stonnington (11% combined); and
- Other middle-ring eastern and south-eastern municipalities including Glen Eira, Bayside, Kingston, Boroondara and Monash (13% combined).

Almost three-quarters of employed Port Phillip residents worked in inner Melbourne, 48% of whom worked in 'office' based industries such as professional services, finance and information media and telecommunications.

Figure 20 shows the proportion of local employed residents who worked within Port Phillip in 2016 by industry, indicating the extent to which the local labour force also worked locally (termed "employment self-containment").

The figure shows that employment self containment was highest in Rental, Hiring and Real estate services (36%), Accommodation and Food Services (36%), Other Services (35%), Arts and Recreation Services (33%) and Professional services (30%).

F20. EMPLOYMENT SELF CONTAINMENT BY INDUSTRY, 2016



Source: ABS Census 2016; .id Informed Decisions.

5.6. ECONOMIC PROFILE AND PERFORMANCE

With a Gross Regional Product of approximately \$15bn, Port Phillip's economy is significant to the Melbourne and Victorian economy. Office-based services make up 58% of the value added and have strongly increased this productivity measure over the past 6 years.

Table 9 summarises the key indicators of the Port Phillip economy in terms of Gross Regional Product and Value Added compared with Victoria. It is noted that this data relates to the period prior to the onset of the COVID pandemic – analysis of the impacts and implications of the pandemic is included in Section 5.11.

In 2020, Port Phillip's Gross Regional Product of \$14.98bn constituted 3.18% of Victoria's Gross State Product. In 2017/18, Port Phillip had the fifth highest GRP of all Greater Melbourne municipalities, behind the Cities of Melbourne, Monash, Hume and Greater Dandenong.¹⁵

T9. GROSS REGIONAL PRODUCT AND VALUE ADDED, 2020

Indicator	Port Phillip (\$bn)	Victoria (\$bn)
GRP / GSP	14.98	471.07

Source: National Institute of Economy and Industry Research (2021).

Table 10 and Figure 21 show Value Added by industry and its growth. Value added is a measure of productivity. Professional Services make up more than 21% of the municipality's value added, substantially higher than the Victorian total of 11%. Professional services was also the industry with greatest growth in value added from 2014 to 2020 as shown in Figure 21, followed by other service-based sectors of Financial and Insurance Services and Administrative and Support Services, along with Construction.

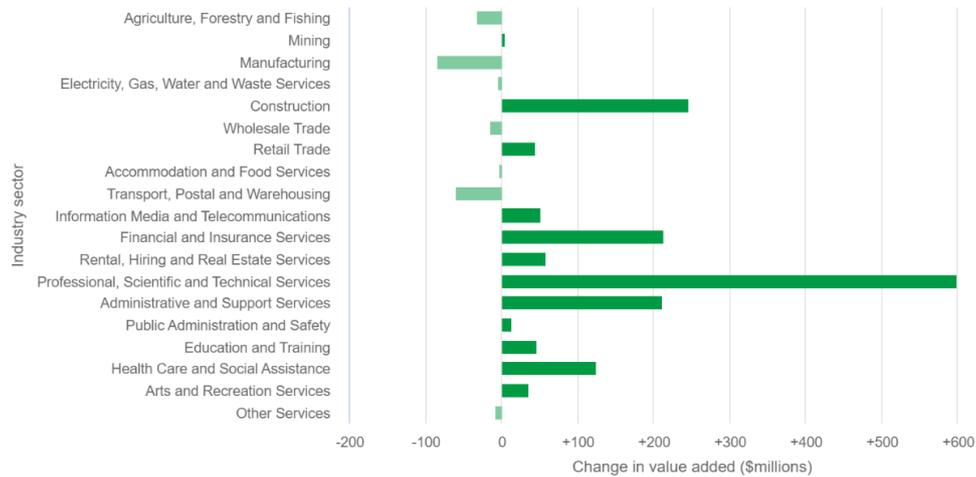
T10. VALUE ADDED BY INDUSTRY, 2019/20

Industry	Value added (\$m)	Port Phillip %	Greater Melbourne %
Professional, Scientific and Technical Services	2,839.7	21.5	10.8
Financial and Insurance Services	2,041.2	15.5	12.5
Administrative and Support Services	992.8	7.5	5
Construction	869	6.6	9.4
Health Care and Social Assistance	807.5	6.1	8.8
Rental, Hiring and Real Estate Services	761.6	5.8	3.4
Wholesale Trade	718.7	5.4	6.3
Transport, Postal and Warehousing	707.4	5.4	5.9
Information Media and Telecommunications	618.6	4.7	3.7
Retail Trade	525.2	4.0	5.6
Manufacturing	467.9	3.5	7.6
Public Administration and Safety	373.1	2.8	5.8
Education and Training	369.9	2.8	6.2
Accommodation and Food Services	362.5	2.7	2
Other Services	278.9	2.1	1.9
Arts and Recreation Services	274.7	2.1	1.3
Mining	79.6	0.6	0.3
Electricity, Gas, Water and Waste Services	77.9	0.6	3
Agriculture, Forestry and Fishing	42.1	0.3	0.6
Total industries	13,208.3	100	100

Source: National Institute of Economy and Industry Research (2021). Green indicates Port Phillip industry value added % of total is at least 1.5 times that of Melbourne, red indicates Port Phillip % is less than 0.75 that of Melbourne.

¹⁵ National Economic Indicator Series, 2017/18.

F21. CHANGE IN VALUE ADDED BY SECTOR, 2014 – 2020



Source: National Institute of Economy and Industry Research (2021).

BUSINESS SIZES AND ENTRIES

In 2020, there were approximately 21,000 businesses registered in Port Phillip, most of which were non-employing (62%, 13,000). Of employing businesses, 91% had less than 19 staff and are generally considered Small and Medium Enterprises (SME). It is noted that not all businesses registered in Port Phillip are necessarily operating within the municipality.

Over the period 2019 to 2021, despite the impacts of the global pandemic, 555 net additional businesses were registered in the municipality (i.e. after both business entries and exits are accounted for), more than half of which were in the Professional Services sector. Other sectors to experience growth in the number of registered and employing businesses included Accommodation and Food services and retail trade, among others.

5.7. EMPLOYMENT

There were approximately 99,000 people employed in Port Phillip in 2020. Employment increased at 2.7% per annum over the preceding 5 years, substantially higher than the population growth of 1.8% over the same period.

Port Phillip's overall employment grew to approximately 99,000 workers in 2019/20 at an average annual growth rate of 2.7% over the preceding 5 years (although the longer term trend was 1.8% per annum over the 10 years to 2019/20). The short term pre-COVID rate of growth was substantially higher than the municipal population growth over the same period (1.8% p.a.), resulting in an increasing worker to resident ratio as shown in Table 11.

T11. EMPLOYMENT AND POPULATION

Year	Employment	Estimated Resident Population (ERP)	Worker to resident ratio
2014/15	86,531	106,381	0.81
2015/16	89,399	108,627	0.82
2016/17	92,768	110,656	0.84
2017/18	94,559	113,265	0.83
2018/19	97,622	115,620	0.84
2019/20	98,938	116,476	0.85
AAGR	2.7%	1.8%	

Source: National Institute of Economy and Industry Research (2021); ABS ERP. Note: employment figures are modelled by NIEIR and differ from the Census counts of employment.

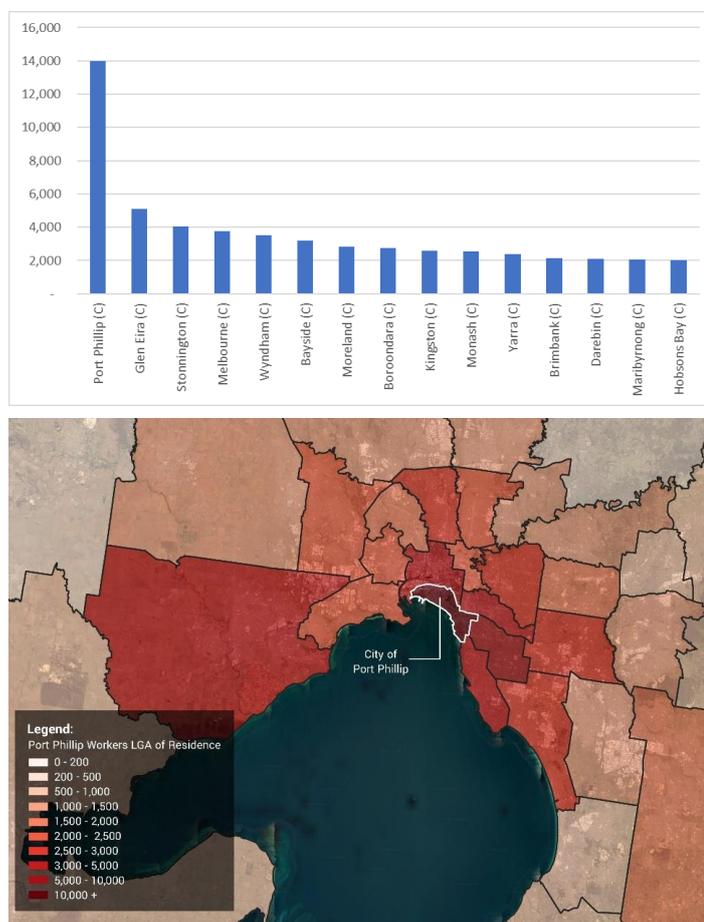
LABOUR CATCHMENT

Workers in Port Phillip are primarily drawn from a spatial catchment of inner and inner south-eastern metropolitan Melbourne as shown in Figure 22.

In 2016, 73% of Port Phillip workers lived in the top 15 LGAs shown in Figure 22. All of these LGAs except Wyndham are in inner and middle ring locations (Wyndham is a prominent location of residence of workers based in Port Phillip in the Transport, Postal and Warehousing industry).

As noted earlier in this report, ANZAC Station will facilitate public transport access within 30 minutes to 814,000 additional residents, broadening the labour force catchment for businesses in St Kilda Road North and parts of South Melbourne.

F22. RESIDENTIAL LOCATION OF PORT PHILLIP WORKERS



Source: ABS Census; Urban Enterprise.

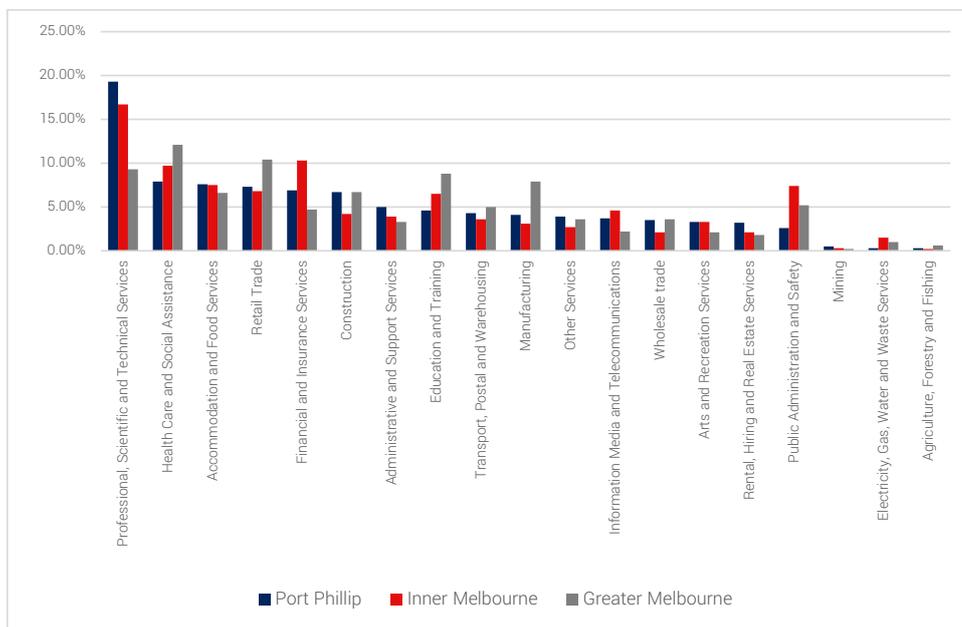
EMPLOYMENT BY INDUSTRY

Employment is greatest in professional services, health care, accommodation and food and retail trade. Increases in construction, professional services and health care employment have driven recent growth.

The greatest industry of employment in 2016 in Port Phillip (based on the Census results) was Professional, Scientific and Technical Services which accounted for 19% of all jobs, followed by Health Care and Social Assistance, Accommodation and Food Services and Retail Trade as shown in Figure 23.

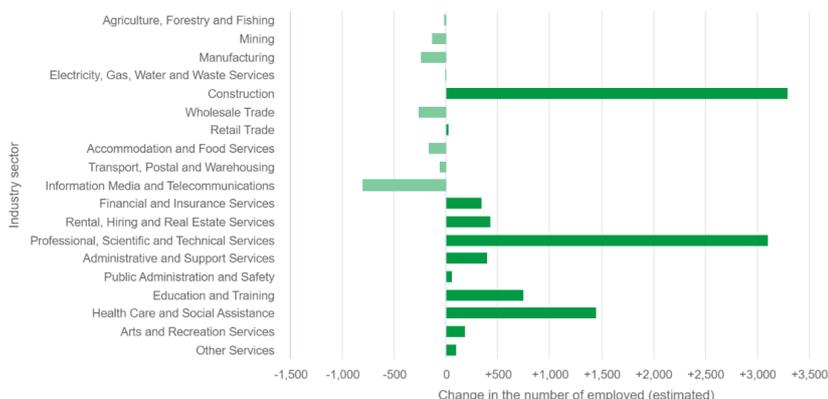
Estimates of job growth from 2014 to 2020 prepared for Council (Figure 24) show strong increases in construction, professional services and health care employment (together accounting for 93% of the estimated increase).

F23. EMPLOYMENT BY INDUSTRY, PORT PHILLIP, INNER MELBOURNE AND GREATER MELBOURNE, 2016



Source: ABS, Census of Population & Housing, 2016.

F24. EMPLOYMENT GROWTH BY INDUSTRY, 2014 TO 2020



Source: National Institute of Economy and Industry Research (2021).

SPECIALISATION

Port Phillip has employment specialisations in office-based services, accommodation and food and arts and recreation.

Comparing the profile of employment by industry with a broader ‘benchmark’ area provides an indication of relative specialisation, an important driver of productivity and comparative advantage in an economy. The Location Quotient (LQ) technique calculates the proportion of employment in a certain industry and divides this by the equivalent proportion in the benchmark area. Generally, if the LQ result exceeds 1.2, a specialisation is likely to exist.

Figure 25 shows that Port Phillip has a high employment LQ compared with Greater Melbourne in a range of services including Professional Services, Rental, Hiring and Real Estate Services, Financial and Insurance Services and Information Media and Telecommunications. Specialisations are also evident in smaller sectors such as Arts and Recreation Services (including several creative sectors such as performing arts) and Accommodation and Food Services (a key sector of the tourism and hospitality industry), along with Mining (due to head offices).

F25. LOCATION QUOTIENT, ALL EMPLOYMENT



Source: National Institute of Economy and Industry Research (2021).

5.8. EMPLOYMENT DISTRIBUTION

Employment is largely concentrated in the northern areas of St Kilda Road North, South Melbourne and Fishermans Bend.

Employment in Port Phillip is primarily concentrated in the northern section of the municipality. In 2016, the areas of St Kilda Road North, Domain, South Melbourne and Fishermans Bend collectively accounted for 67% of all jobs.

The St Kilda activity centres, St Kilda foreshore and immediate surrounds, St Kilda Road South and Port Melbourne contribute a further 18% combined, meaning that the contribution of the balance areas to the overall municipal employment is relatively limited (16%), primarily due to lack of land in employment zones in established residential areas such as Albert Park, Middle Park, St Kilda West, St Kilda East and Elwood.

Table 12 summarises employment in 2016 across the municipality based on Destinations Zones (DZ) grouped into locations and industries grouped into major sectors (see Appendix B for details). This data is based on the 2016 Census and excludes jobs where industry information was not stated. Therefore, the overall employment number is somewhat lower than actual employment, but useful to describe distribution by industry and location. More recent employment data will next be available in late 2022 based on the 2021 Census results.

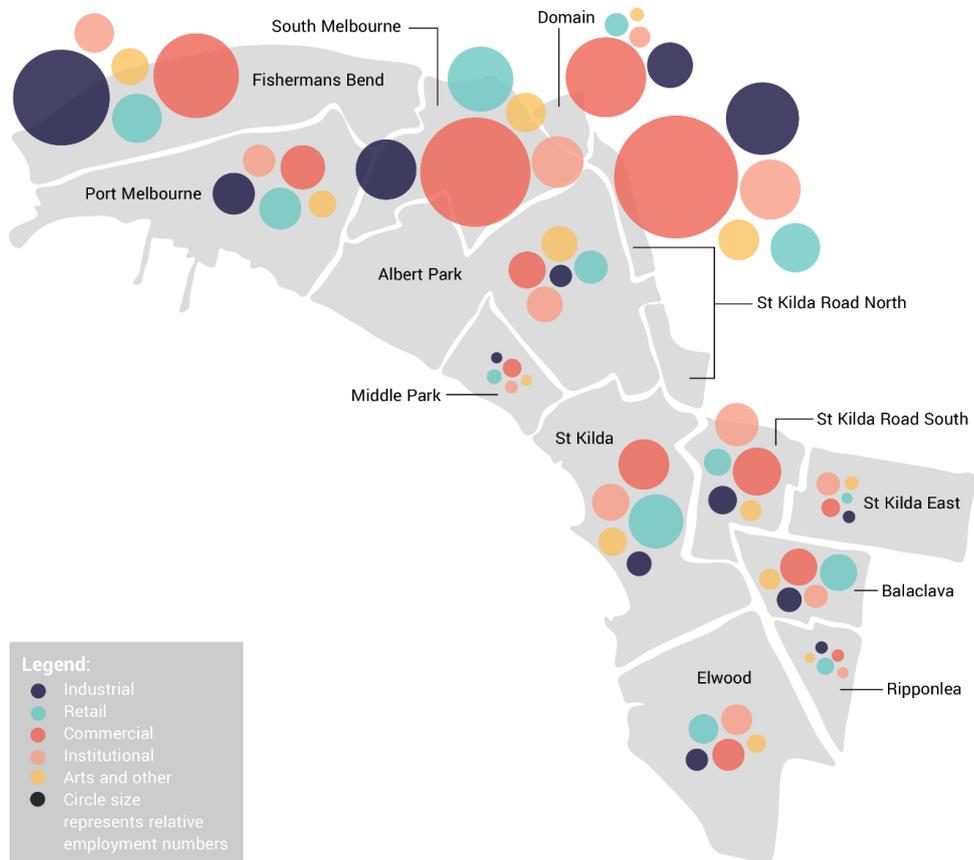
Figure 26 depicts overall employment by suburb, demonstrating the concentrations of employment in the northern section of the municipality.

T12. PORT PHILLIP EMPLOYMENT DISTRIBUTION BY LOCATION AND SECTOR

Location	Industrial	Retail	Commercial	Institutional	Arts and other	Total	% of total
Albert Park	302	656	781	757	772	3,268	5%
Balaclava	348	811	798	308	247	2,512	3%
Domain	1,200	338	3,759	244	103	5,644	8%
Elwood	298	497	583	565	206	2,149	3%
Fishermans Bend	5,385	1,461	4,304	895	780	12,825	18%
Middle Park	75	126	209	81	67	558	1%
Port Melbourne	1,058	1,021	1,183	616	425	4,303	6%
Ripponlea	82	182	86	71	54	475	1%
South Melbourne	2,169	2,502	7,147	1,587	943	14,348	20%
St Kilda	345	1,715	1,506	790	494	4,850	7%
St Kilda East	87	80	214	314	107	802	1%
St Kilda Road North	3,137	1,443	8,949	2,129	993	16,651	23%
St Kilda Road South	486	426	1,395	1,108	257	3,672	5%
Total	14,972	11,258	30,914	9,465	5,448	72,057	100%
% of total	21%	16%	43%	13%	8%	100%	

Source: ABS Census, 2016; Urban Enterprise. Cell colours: darker green depicts higher employment, lighter green depicts lower employment.

F26. EMPLOYMENT BY LOCATION AND SECTOR, CITY OF PORT PHILLIP, 2016



Source: ABS Census, 2016; Urban Enterprise.

5.9. KEY SUB-SECTORS

Analysis of overarching industry 'sectors' can sometimes mask the important 'sub-sectors' which hold specialisations. Two examples in the case of Port Phillip are Tourism (which includes parts of the retail, accommodation, arts and recreation and transport industries) and Creative Industries (which are embedded in several industries, especially arts and recreation, information, media and telecommunications, professional services and manufacturing¹⁶).

These sub-sectors are historically significant to Port Phillip, generate substantial employment and value added and will continue to play an important role in the prosperity of the municipality. Creative activity is significant to the cultural identity of Port Phillip and are prominent in the Community Vision of the current Council Plan.

5.9.1. CREATIVE INDUSTRIES

Port Phillip has historically been a hub for creative industry in Melbourne and Australia. 14% of the municipal workforce is employed in creative sectors – these jobs make up 11% of all such jobs in Greater Melbourne.

Port Phillip has long been a hub for creative industry in Melbourne and Australia. Creative industry contributes to the vibrancy of the municipality and attracts visitors and residents to the area. Council's Art and Soul – Creative and Prosperous City Strategy (2018) refers to estimates of creative industry employment comprising 15% of all jobs in the municipality and accounting for 35% of all economic activity (in 2013).

Table 13 shows employment in Port Phillip in 2016 in sub-industries defined as 'creative'. Both creative production (film, television, radio, music, performing arts, publishing and visual arts) as well as creative services (advertising, marketing, architecture, design and software and digital content) are included in this classification.

It is estimated that 14% of the workforce in Port Phillip in 2016 was employed in creative industries. This proportion is significantly greater than that of both inner Melbourne (9%) and Greater Melbourne (5%).

Sub-industries such as post-production services, music publishing and radio broadcasting substantially contribute towards the creative scene of the entire region. The largest creative industry employers in Port Phillip are advertising services (2,019 jobs) and computer system design and related services (4,742 jobs). A large proportion of these media and design related jobs are located in and around South Melbourne and Port Melbourne, many of which are in businesses occupying former industrial premises.

Figure 27 shows the spatial concentration of creative sector employment across inner Melbourne. The South Melbourne and Albert Park (including St Kilda Road North) SA2s accommodate the highest proportions of creative business employment of any SA2 in inner Melbourne (alongside South Yarra and Collingwood), highlighting the significance of creative activity within Port Phillip.

Council's Art and Soul Strategy includes actions to plan for adequate employment land and explore planning options to protect South Melbourne as a creative industries cluster. Council's Live Music Action Plan advocates establishing 'live music precincts' to protect and facilitate live music and the associated economic and cultural benefits to the Port Phillip community.

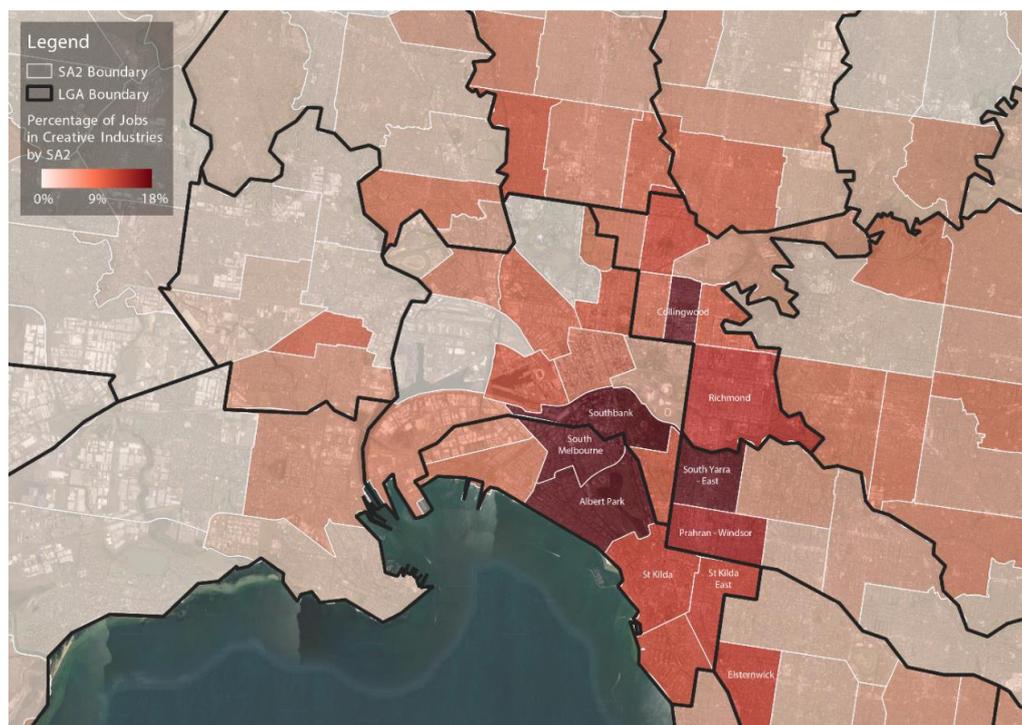
¹⁶ See Appendix B for industry classification information.

T13. EMPLOYMENT IN CREATIVE INDUSTRIES – TOP 10 CLASSES BY EMPLOYMENT AND PROPORTION

Top 10 Industry Classes by employment	Port Phillip employment	Top 10 Industry Classes by proportion of Greater Melbourne	Port Phillip % of Greater Melbourne
Computer System Design and Related Services	4,742	Post-production Services & Other Motion Picture & Video	50%
Advertising Services	2,019	Music Publishing	40%
Architectural Services	780	Radio Broadcasting	23%
Other Specialised Design Services	672	Advertising Services	22%
Motion Picture and Video Production	458	Internet Publishing and Broadcasting	21%
Creative Artists, Musicians, Writers and Performers	404	Motion Picture and Video Production	18%
Book Publishing	240	Music and Other Sound Recording Activities	17%
Radio Broadcasting	220	Magazine and Other Periodical Publishing	15%
Performing Arts Operation	156	Book Publishing	14%
Free-to-Air Television Broadcasting	152	Computer System Design and Related Services	10%

Source: ABS, Census of Population & Housing, 2011 & 2016. Creative Classes defined by ARC Centre of Excellence for Creative Industries, QUT. Note: the Census generally undercounts employment – actual employment therefore will be higher.

F27. PROPORTION OF JOBS DEFINED AS CREATIVE, INNER MELBOURNE



Source: ABS Census 2016; Urban Enterprise.

LOCAL CONCENTRATIONS OF CREATIVE SECTOR EMPLOYMENT AND BUSINESSES

Clusters of creative industry in South Melbourne (media and design) and St Kilda (art and music) create some of Melbourne’s most prominent creative locations and align with cultural events and infrastructure.

Previous studies and analyses¹⁷ identified the following concentrations of niche creative specialisations:

- Game design and related software and advertising businesses clustered in South Melbourne and Albert Road, including a game development co-working space and several other firms utilising office space. The Victorian government through Film Victoria is providing financial support to this emerging specialisation.
- A cluster of media and communications businesses in South Melbourne, with high concentrations of advertising, radio broadcasting and video and music production, recording and post-production activities.
- A strong concentration of music, design and art businesses in St Kilda, reflecting the suburb’s local specialisation in the production and performance of artistic content and the importance of cultural events in St Kilda, especially the Film Festival and Music Festival.

Research conducted in 2019 identified 463 creative sector businesses in Port Phillip (pre-pandemic), 69% of which were in the suburbs of South Melbourne and St Kilda as shown in Table 14 and Figure 28. This demonstrates that there are two main locations of creative critical mass in the municipality which can be leveraged for ongoing competitive advantage and economic and community benefit.

In South Melbourne, many of the attributes of successful enterprise precincts support creative activities, especially an agglomeration of synergistic businesses, former industrial premises offering larger spaces to create, and a high ‘quality of place’ including mid-rise built form, heritage character and strong hospitality offering.

The presence of a substantial variety of creative businesses and associated employment in the southern part of the municipality (primarily St Kilda and Balaclava) is also significant when considered alongside the strong weighting of overall municipal employment to the northern areas.

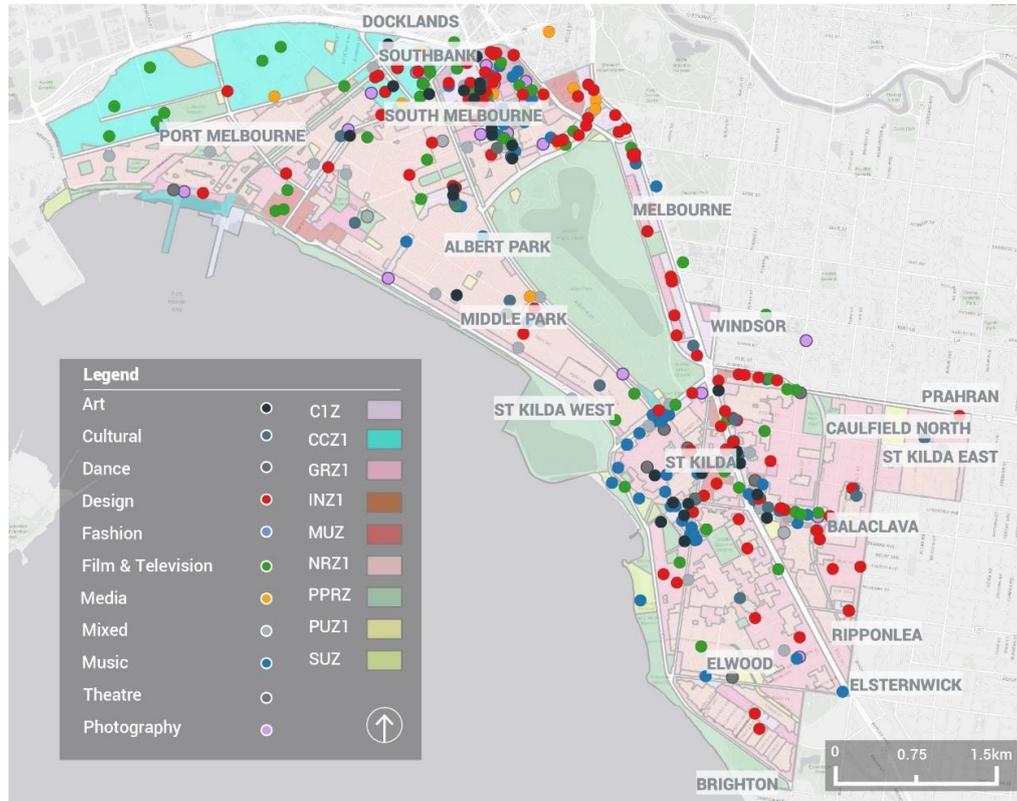
T14. LOCATIONS OF CREATIVE BUSINESSES BY TYPE

Suburb	Art	Cultural	Dance	Design	Fashion	Film + TV	Media	Mixed	Music	Photog.	Theatre	Total
South Melbourne	11	2	3	59	1	26	9	12	29	17	3	172
St Kilda	13	5	1	47	1	15		9	41	7	9	148
Port Melbourne	1	1		7		14	1	4	1	1	1	31
Melbourne		1		20		5	1					27
Balaclava		1		8		3		1	5			19
Albert Park	2	2		3		2		2	4		3	18
Elwood		1		5		4		1	5		1	17
Southbank	2			3		1	1	2	1			10
Middle Park	3	1		2			1	2				9
St Kilda West						2				4		6
Ripponlea				1					1			2
St Kilda East				1				1				2
Windsor						1						1
No location												1
Total	32	14	4	156	2	73	13	34	87	29	17	463

Source: Hodyl and Co, 2019, supplied by City of Port Phillip. Red shading indicates higher overall employment.

¹⁷ Analysis prepared for the South Melbourne Economic and Employment Land Use Study, Urban Enterprise; Creative spaces mapping by Hodyl and Co, 2019.

F28. LOCATION OF CREATIVE BUSINESSES



Source: Hodyl and Co, 2019, supplied by City of Port Phillip and mapped by Urban Enterprise.

CONSULTATION FINDINGS

Port Phillip's institutions, events and natural environment create strong competitive advantages for creative activities, however the strong creative culture is being challenged by decreasing housing affordability, redevelopment of older premises, the COVID pandemic and the emergence of new cultural locations elsewhere in Melbourne.

A focus group with representatives of Port Phillip's creative sector (primarily those involved in music, theatre, film and dance) identified the following key drivers and challenges relevant to the SEEF.

Port Phillip's locational strengths and advantages for creative businesses:

- Proximity and access to the Melbourne CBD;
- Proximity to Port Phillip Bay for lifestyle and entertainment purposes;
- Substantial, high quality open space network for lifestyle, gathering and collaboration;
- Strong network of community facilities with a long history of public use;
- Festivals and events attract and engage creative individuals and businesses;
- Cultural safety, with diverse individuals comfortable to express creativity within an inclusive community;
- St Kilda's place identity as a home for musicians, artists and performers;
- Proximity to the Melbourne Arts Precinct, which is a place of performance but not content creation, meaning that practice and creation space needs to be found elsewhere (such as in Port Phillip).
- Major institutions, both private and public, have been established over time which underpin creative activity and are critical to the sector's role and performance.

Key challenges for the sector:

- Declining housing affordability is resulting in less creative workers, especially younger people involved in art and music, being able to live in the municipality. A substantial proportion of the live music scene has now migrated to inner northern suburbs where accommodation is more affordable and there are higher concentrations of students.
- The number of hospitality premises offering music performance space has decreased over time, reducing opportunities for emerging artists.
- Much creative activity happens at night, meaning that safety is a key issue and consideration for any future planning strategies and placemaking exercises.

Drivers of growth and opportunity for the sector:

- International talent is being attracted to Port Phillip's creative institutions, especially in theatre and production, building on international visitation to major music and film events. This presents opportunities for further international recognition of the local arts scene and to attract visitors, businesses and investment.
- Public open space, public realm and community owned facilities are the main drivers of the creative culture. Council can continue to support the sector by investing, activating and increasing availability of facilities. Creative activities generally 'merge' between the public and private realms.
- Strong growth in apartments within and at the fringes of the municipality (especially in the northern section) is resulting in a culturally diverse demographic profile and a new audience for local businesses. This will support business growth where this new audience can be attracted.
- New residential development creates the opportunity for creative spaces and art to be integrated into new developments, however redevelopment also brings the risk of older business premises being lost.

5.9.2. TOURISM

St Kilda is an iconic Victorian visitor destination. Before the pandemic, Port Phillip attracted 1.3m visitors p.a. Tourism and hospitality supports a range of other sectors and represents an important economic specialisation.

Port Phillip contains some of Melbourne's most significant visitor attractions: the St Kilda foreshore, Luna Park and the South Melbourne Market. The local events calendar attracts approximately 750,000 annual visitors and includes a range of event types and sizes, most prominent of which are, St Kilda Film Festival, St Kilda Festival and Yalukut Weelam Ngargee (First People's art and music event). The Australian Formula One Grand Prix – a global sporting event - also takes place at Albert Park within the City.

In terms of employment, tourism plays a significant and growing role in Port Phillip. Table 15 shows the estimated employment and value added by the tourism and hospitality sector. The sector accounts for 7.8% of the employment in the municipality and 7.3% of value added. For each indicator, tourism makes a greater contribution to the economy than it does to the Victorian economy overall, demonstrating the importance of the sector.

T15. TOURISM AND HOSPITALITY EMPLOYMENT AND VALUE ADDED

Measure	City of Port Phillip	% of total industry	Victoria %	CoPP % of Victoria
Employment (total)				
Direct	5187	5.2	4.6	3.3
Indirect	2500	2.5	2	3.8
Total	7688	7.8	6.6	3.5
Value added (\$m)				
Direct	483.86	3.7	3.1	4.1
Indirect	469.19	3.6	2.2	5.5
Total	953.05	7.3	5.3	4.7

Source: National Institute of Economy and Industry Research (2021).

In 2019 before the onset of the COVID pandemic, Port Phillip received 1.3 million visitors including over 900,000 day trip visitors. 56% of all visitors to Port Phillip in 2019 were to the St Kilda SA2, clearly the most visited location in the municipality.

The high level of day trip visitors reflects the area's appeal as a destination for travellers generally staying in central Melbourne. By contrast, less than 300,000 visitors stayed overnight in 2019 compared with almost 8m across inner Melbourne. The concentration of visitor attractions in Port Phillip and the municipality's proximity to the CBD presents the opportunity to increase overnight visitation in the future, both as part of the expanded central city and at key tourism nodes such as St Kilda (although market conditions for hotels are expected to remain weak until international tourism returns to 'normalised' levels, which is unlikely to be until 2025¹⁸).

T16. TOURISM VISITATION, 2019

Trip type	Port Phillip	Inner Melbourne	Greater Melbourne
Day Trip	915,616	9,522,382	25,075,740
Overnight	292,438	7,957,227	11,435,398
International	118,744	2,222,443	2,967,207
Total	1,326,798	19,702,052	39,478,345

Source: Tourism Research Australia, 2021. Data excludes trips by Melbourne residents living within 25km.

¹⁸ Deloitte Access Economics, Tourism and Hotel Market Outlook Edition 2, 2021.

5.10. BUSINESS CONSULTATION

BUSINESS SURVEY

In September 2021, Council conducted a survey of all registered businesses in the municipality to understand the 'health' of the business sector.

Survey questions included a range of issues designed to inform the preparation of the SEEF relating to business challenges and expectations; suitability and affordability of premises, and business characteristics. 190 responses were received. The key findings relevant to the SEEF are summarised in Table 17.

T17. BUSINESS SURVEY FINDINGS

Indicator	Overall result	Location or industry variations
Major business challenges	<ol style="list-style-type: none"> 1. Economic downturn due to COVID 2. Attracting more business 3. High rent 	
Future employment	69% of respondents expect to maintain (38%) or increase (31%) employment in the next 12 months.	Food and beverage, financial and professional services had the greatest proportion of businesses expecting an increase.
Self-rated suitability of premises to meet current business needs	The average suitability score was 7/10.	Suitability ranked higher for businesses operating from shops than from office space.
Reason for location	The most common reasons for business location are: <ul style="list-style-type: none"> - Close to residence (44%) - Close to CBD (33%) - Close to customers (30%) - Identity and characteristics of the precinct (23%) 	
Affordability of premises	41% of businesses consider their property costs (e.g., rent) either somewhat unaffordable or very unaffordable.	
Benefits of clustering	26% of businesses identified that they benefit from co-location / clustering with similar businesses.	Suburbs with the highest proportion benefiting from co-location were St Kilda, Ripponlea and South Melbourne.
Business intentions	10% of businesses intend to relocate in the next 12 months, with "cheaper rent" the most common reason (29% of those considering relocating), followed by "better infrastructure".	

Source: Urban Enterprise, based on City of Port Phillip Business Health Survey, 2021.

The survey findings have the following implications for the SEEF:

- Almost one third of respondent businesses intend to increase employment in the next 12 months, indicating that pandemic recovery is anticipated and physical space for growth may be a consideration for many businesses.
- The most common reasons for business location is proximity to the owner's residence and to the CBD. These attributes will support the ongoing attractiveness of Port Phillip as a small business location, especially if ongoing population growth can be facilitated.
- Rental affordability concerns were commonly referenced by respondents, an indication that business space supply may not be keeping pace with demand in some areas. The proportion of businesses indicating that they are considering relocating in the short term in order to find cheaper rent highlights the importance of a balanced commercial property market in maintaining and growing the municipal business base.

BUSINESS ADVISORY GROUP

The Port Phillip Business Advisory Group (BAG) consists of representatives of traders' associations and a variety of business, property and sustainability experts in the municipality. Consultation with BAG members resulted in the following key common issues affecting many parts of the municipality being identified – these have helped to inform and shape the SEEF:

- Affordability of business premises is a challenge for many business types;
- There is a need to diversify the business mix of activity centres, in particular a need to attract more daytime / office uses to activity centres;
- Safety and anti-social behaviour is a key barrier to business attraction and retention in parts of the municipality;
- Public transport access is critical to business and staff attraction;
- Many representatives have observed businesses relocating to other parts of Melbourne which is weakening the existing business base and critical mass of economic activity in some areas;
- Retaining cultural diversity and the creative 'scene' is becoming difficult in the context of gentrification and increasing housing prices.
- Labour availability is very restricted at present, limiting economic performance and growth (especially in the retail, food, tourism, health and services sectors).
- Economic opportunities will be created by Alfred Hospital expansion and ANZAC Station.

BAG representatives also provided a range of comments and input relevant to individual precincts and locations which inform the analysis and findings in Part C of this report.

5.11. COVID PANDEMIC IMPACTS

Port Phillip businesses experienced substantial decreases in output and employment due to the pandemic, primarily in the accommodation and food, information media, administrative and arts and recreation sectors.

The COVID pandemic has significantly disrupted the global economy, its workforce and organisations. It is expected that impacts will continue well into the future.

Industries which have and are likely to continue to be the most exposed to the impacts of the pandemic include Accommodation and Food Services and Arts and Recreation and other industries which require the closest proximity to the community and therefore most likely to be impacted by restrictions and cancellations. Tourism and events sectors have also been significantly impacted by international and interstate border closures, uncertainty and the cancellation of major events.

Table 18 shows the estimated changes in output and employment across Port Phillip industries from the beginning of the pandemic in March 2020 to mid-2021. The table shows that employment in the municipality decreased since over the period, with the greatest losses in percentage terms experienced in the Accommodation and Food Services and Administrative and Support Services sectors. The output of those sectors also decreased substantially due to forced business closures during periods of restriction.

The right-hand columns of Table 18 show the industries that are in the top 5 for output and employment in the municipality. Any economic disruption to those industries have a particularly significant impact on the overall economy. The most relevant impact in this sense is the employment reduction in the accommodation and food services industry.

The location most exposed to and impacted by the pandemic due to the business mix and economic role is St Kilda due to the reliance on events, arts and recreation, accommodation and hospitality activity.

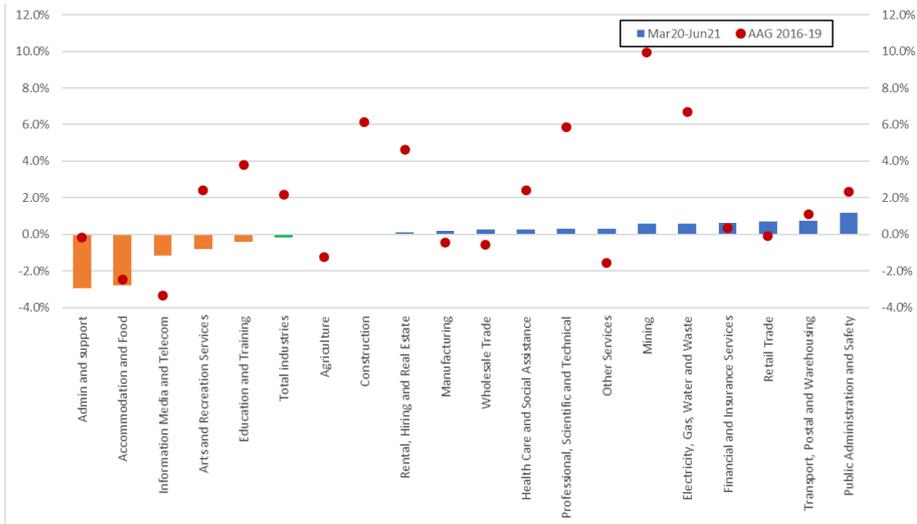
T18. IMPACT OF COVID-19 ON OUTPUT, PORT PHILLIP, MARCH 2020 -JUNE 2021

Industry	Output	Employment	CoPP Top 5 Output	CoPP Top 5 Jobs
Agriculture, Forestry & Fishing	0.1%	0.0%		
Mining	1.9%	0.7%		
Manufacturing	0.6%	0.2%	Yes	
Electricity, Gas, Water & Waste Services	2.2%	0.7%		
Construction	0.2%	0.1%	Yes	Yes
Wholesale Trade	0.9%	0.3%		
Retail Trade	1.6%	0.8%		Yes
Accommodation & Food Services	-6.6%	-3.3%		Yes
Transport, Postal & Warehousing	1.6%	0.9%		
Information Media & Telecommunications	-3.7%	-1.5%		
Financial & Insurance Services	2.9%	0.8%	Yes	
Rental, Hiring & Real Estate Services	0.7%	0.2%	Yes	
Professional, Scientific & Technical Services	2.0%	0.4%	Yes	Yes
Administrative & Support Services	-7.3%	-3.7%		
Public Administration & Safety	3.4%	1.5%		
Education & Training	-1.1%	-0.5%		
Health Care & Social Assistance	1.0%	0.4%		Yes
Arts & Recreation Services	-2.5%	-1.0%		
Other Services	1.1%	0.4%		
Total	0.2%	-0.2%		

Source: Remplan, 2021.

Figure 29 depicts the employment impacts by industry during the pandemic (columns) compared with the percentage change in employment over the preceding 3 year period (red dots). This demonstrates the divergent employment outcomes for different sectors during the worst of the pandemic. It also shows the effect of the pandemic in slowing employment growth in sectors which were previous experiencing strong growth, such as construction, professional services and Rental, Hiring and Real estate.

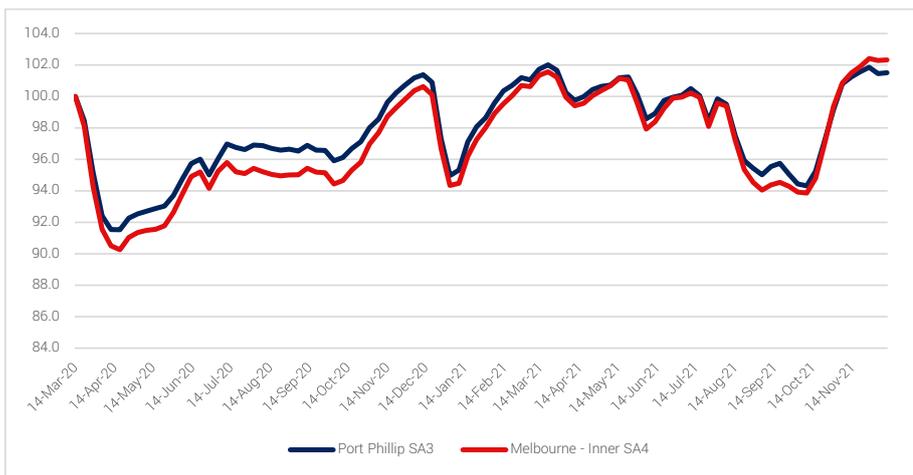
F29. COVID IMPACT ON EMPLOYMENT IN PORT PHILLIP



Source: Remplan.

Figure 30 shows the Australia Tax Office payroll jobs index for the Port Phillip SA3, which covers the municipality plus the sections of Fishermans Bend within the City of Melbourne. In terms of overall employment, the number of payroll jobs in Port Phillip had by December 2021 returned to a similar level (index value = 102) to the level immediately prior to the pandemic commencing in March 2020.

F30. ATO PAYROLL JOBS INDEX, PORT PHILLIP AND INNER MELBOURNE



Source: ABS.

Longer lasting impacts of the pandemic will have a more sustained effect on the Port Phillip economy and workforce. Major trends either caused or accelerated by the pandemic include the following:

- **Online retail spending** has further increased, and importantly, the proportion of the population capable of consuming via e-retail has increased substantially, meaning that online retailing is now an ingrained part of most consumers' purchasing habits.
- **Home based working** increased, mainly out of necessity, during the pandemic. Up to 40% of workers across Australia have experimented with working from home and 35% of workers have jobs that are amenable to working from home.¹⁹ This opportunity provides greater flexibility in where people can work, increasing competition for talent and somewhat reducing the importance of proximity to concentrations of employment, such as inner urban area like Port Phillip. CBDs have experienced particularly strong shocks due to home based working of the largely professional workforce. This is likely to impact parts of Port Phillip more than others. For example, St Kilda Road has similar attributes to the CBD, whereas the focus on smaller, more creative and collaborative businesses in South Melbourne is likely to result in less impact in the medium term.
- In the short term, restrictions relating to events, indoor density limits and various degrees of lockdowns have strongly impacted the ability of **hospitality venues and events businesses** to operate viably. Port Phillip's strong live music and events sectors have been directly impacted. The extent to which ongoing impacts are possible is unknown and will depend to a great degree on the frequency and severity of future outbreaks and subsequent government restrictions.
- The **tourism** sector has been substantially impacted by the pandemic. Tourism expenditure in Victoria declined by 60% in 2020 and accommodation occupancies dropped dramatically due to border closures and travel restrictions. Given that the tourism sector contributes 7.3% of the municipal value added, any ongoing impacts to the tourism sector will directly impact the performance of the overall local economy.
- The **population** of every SA3 in inner Melbourne (including Port Phillip) declined in the year to June 2021²⁰, primarily due to the substantial reduction in inbound overseas migration during the pandemic. A return to pre-pandemic migration patterns is predicted to occur in 2024/25.²¹ In the meantime, a reduction in local resident consumption growth and housing demand will impact parts of the local and metropolitan economy.

IMPLICATIONS

The long term and ongoing implications of the pandemic are uncertain. Direct impacts will largely depend on future outbreaks, government restrictions and global economic conditions. Based on available evidence to date, it is likely that the main implications for the SEEF are:

- Highly competitive conditions for goods retailers, especially those not differentiated or specialised. Combined with an overall 'blending' of locations where people live and work, this requires a flexible approach to land use zoning and encouragement of diversification of formerly retail-centric activity centres.
- Less full time office-based work, meaning that some employment areas will experience less demand growth and visitation than would otherwise have been the case, especially those which accommodate functional and administrative businesses. Any reduction in daytime population in these employment areas will impact local retail and business services. Current evidence (Section 4) suggests that overall demand for office space is unlikely to be substantially impacted, however businesses are responding to pandemic changes by seeking to provide the highest quality working environment to retain staff and encourage office attendance. This involves seeking high amenity (often mixed use) locations, higher quality premises (i.e., A-grade space) and adapting internal spaces to provide a range of staff amenities and collaboration spaces.
- Greater day-time population in residential areas, leading to increased demand for local retail, hospitality and possibly working space in villages and activity centres.

¹⁹ Productivity Commission, Working from Home Research Paper, September 2021.

²⁰ ABS Regional Population, 2020/21.

²¹ Australian Government Centre for Population, December 2021.

- A challenging short-medium term outlook for tourism, events and night-time economy businesses and precincts if disruptions to travel and large gatherings endure, challenging businesses and precincts which have already been substantially impacted during the main pandemic period. This warrants particular support and focus in the SEEF on facilitating economic recovery and activity in these sectors.
- A short term reduction in population growth and housing demand (especially apartments), leading to slower overall resident consumption growth within the economy.

6. EMPLOYMENT GROWTH

6.1. INTRODUCTION

This section provides projections of employment and floorspace in the municipality over the planning period.

6.2. KEY POINTS

- Federal government employment projections for Greater Melbourne over the short term are for an average of 1.9% per annum employment increase, with the greatest increases expected to occur in health care, professional services, accommodation and food services and education and training.
- Projections prepared for this study show that employment in the City of Port Phillip 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 pandemic.
- The greatest employment growth in Port Phillip is projected to occur in the industries of Professional, Scientific and Technical Services, Education and Training and Health Care and Social Assistance.
- The greatest increases in employment are expected in the northern part of the municipality including South Melbourne, St Kilda Road and Fishermans Bend, while St Kilda is also projected to experience significant employment growth. The location of projected employment increase is driven by the locations of existing concentrations of businesses and employment land, existing and proposed transport infrastructure and public realm which support businesses, and projections for the majority of municipal population growth to occur in South Melbourne (Domain), St Kilda Road North, St Kilda and Fishermans Bend.
- Although Fishermans Bend has substantial capacity to accommodate up to 34,000 jobs at full development, existing employment will also be displaced and much of the employment growth is expected to occur later in the development timeframe (i.e. beyond the planning period for this study).
- There is projected to be an overall need for an additional 670,000sqm of employment floorspace over the SEEF period excluding Fishermans Bend, the majority of which is expected to take the form of commercial (primarily office) space.
- The South Melbourne SA2 (which includes the Major Activity Centre, Enterprise Precinct, Albert Road area and Domain) is projected to require the greatest employment floorspace over the period, followed by St Kilda Road and St Kilda.

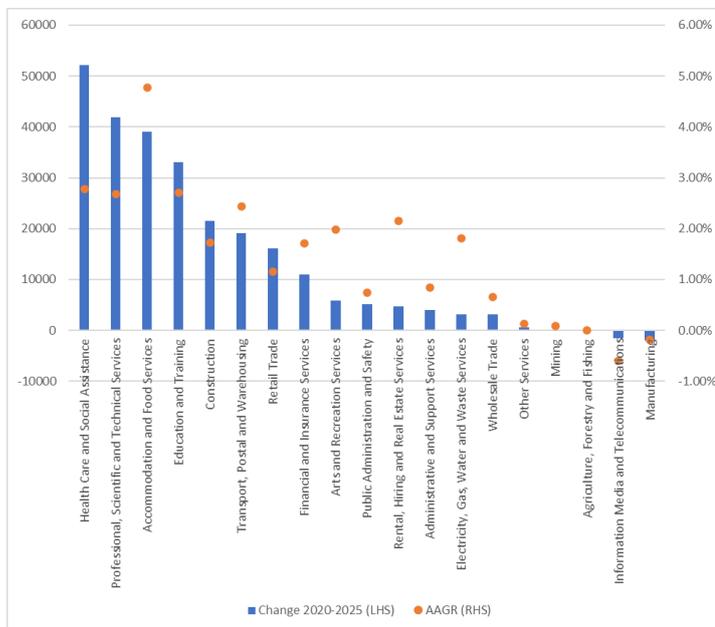
6.3. EXISTING PROJECTIONS

Federal government employment projections are published for major regions of Australia for the 5-year period from 2020 to 2025. Figure 31 shows employment projections by industry for Greater Melbourne. Overall employment in the area is projected to increase at 1.9% per annum over the period, which includes a recovery from the COVID pandemic.

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.

Employment growth at the municipal and local levels will vary based on a range of factors, however the projected growth industries in inner Melbourne are reflective of historical employment trends in Port Phillip.

F31. EMPLOYMENT PROJECTIONS BY INDUSTRY, GREATER MELBOURNE, NOV 2020 - NOV 2025



Source: National Skills Commission.

Over the longer term, the following aggregate employment projections for inner Melbourne and Port Phillip have informed government strategic planning and infrastructure studies in recent years:

- The Melbourne Metro Business Case is based on anticipated employment growth in the Melbourne CBD of 2.1% per annum over the period 2011 to 2046; and
- The Melbourne Industrial and Commercial Land Use Plan projects an overall increase in employment in Port Phillip of 42,000 jobs between 2016 and 2031 which would require in the order of 618,000sqm of retail and commercial floorspace.

These projections were prepared prior to the impacts of the COVID pandemic. The most recent Treasury economic forecasts²² are for national employment growth of between 1% and 1.5% per annum between 2022 and 2026.

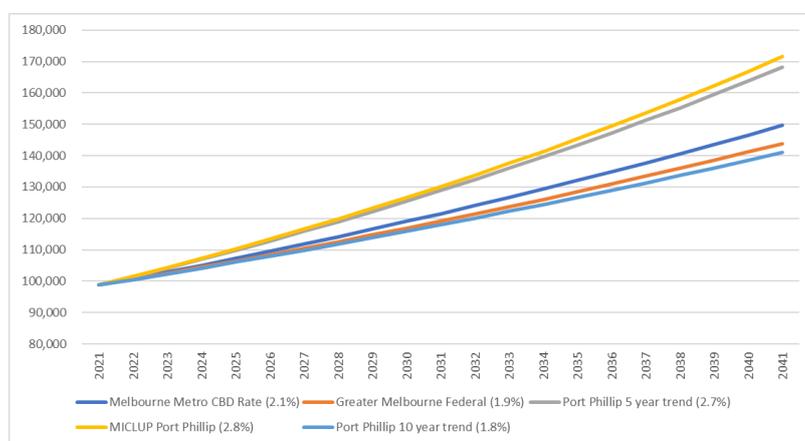
²² Pre-election Economic and Fiscal Outlook 2022, April 2022, Commonwealth of Australia.

6.4. POTENTIAL EMPLOYMENT GROWTH AND KEY VARIABLES

Figure 32 shows the scale of employment growth that would occur within the City of Port Phillip over the period 2021 to 2041 based on the short term Federal Government projections and baseline projections which inform current government planning and infrastructure strategies. Also shown is an extrapolation of the medium term (5 year) trend in employment growth experienced in Port Phillip of 2.7% per annum and the longer term (10 year) trend of 1.8% per annum.

These basic extrapolations would result in an additional employment in Port Phillip over the planning period of between 42,000 and 73,000 jobs by 2041, however these outcomes do not take into account the short term impact on employment of the COVID pandemic.

F32. PORT PHILLIP EMPLOYMENT SCENARIOS



Source: Urban Enterprise.

KEY VARIABLES

Future employment growth and change in inner Melbourne will be influenced by several ongoing and recent structural changes which have been discussed earlier in this report. The most relevant changes are:

- Changes in the composition of economic activity and employment by industry, primarily resulting in an increasing proportion of employment being in higher value knowledge-based services, health and education. These shifts are captured in Federal Government projections for Melbourne.
- Changes in the profile of the labour force in areas proximate to Port Phillip, including population, age profile and expected workforce participation.
- Retail sector changes, particularly an increasing proportion of sales occurring online which is translating into low employment growth in store-based retailing and an increase in non-store retail employment.
- The rate at which certain sectors of the economy recover from the COVID pandemic, especially the tourism and events sectors which continue to experience challenging business conditions and were severely weakened by the cumulative impact of successive pandemic years in 2020 and 2021.
- Post-pandemic changes to working and travel patterns and the likelihood of more hours being worked from home. Infrastructure Victoria²³ estimates that inner Melbourne may experience an increase in overall employment based on expected changes to working from home, however the number of hours actually undertaken in the workplace is expected to decrease.

²³ The post-pandemic commute: technical report; Infrastructure Victoria, November 2021, p.28.

While it is not possible to model each of these variables, scenarios have been considered as noted in Appendix C which enables the implications of different overall employment scales to be considered. Due to several of these variables (such as the retail sector changes, increased hours worked from home and slow pandemic recovery in certain sectors), there is a possibility that employment growth in certain sectors slows.

LOCAL CONDITIONS AND INFLUENCES

Local conditions will also influence the locations and distribution of employment growth in the municipality, including the following:

- The location of **population** growth and development capacity. Locations of higher growth will generally drive demand for employment growth in population-serving industries such as retail, food, health and education.
- **Infrastructure** investment, especially transport projects. The impending opening of ANZAC Station and the proposed extension of tram and train networks through Fishermans Bend will increase the attractiveness of these locations due to improved labour force access.
- Planning policy enabling major land use change, primarily in **Fishermans Bend** where progressive redevelopment of former employment land to higher value land uses is underway. Land use change is likely to result in progressive removal of industrial premises which generally house businesses and employment in transport, storage, construction, warehousing and infrastructure sectors. Suitable premises for these businesses will not be replaced within the new zone and few (if any) suitable premises are available elsewhere in the municipality. The projections are therefore based on an expectation that most existing jobs in this area will leave the municipality over the period of the Fishermans Bend development, to be replaced by employment in industries typically occupying inner city mixed use and commercial areas.

6.5. EMPLOYMENT PROJECTION RESULTS

Employment projections have been prepared for the municipality using a range of information and data sources – detail is provided in Appendix C.

The nature and scale of employment in the City of Port Phillip over coming years will depend on a wide range of factors well beyond the control of a local Council, including global and national economic conditions, State and federal government policies and decisions, consumer preferences and private development decisions.

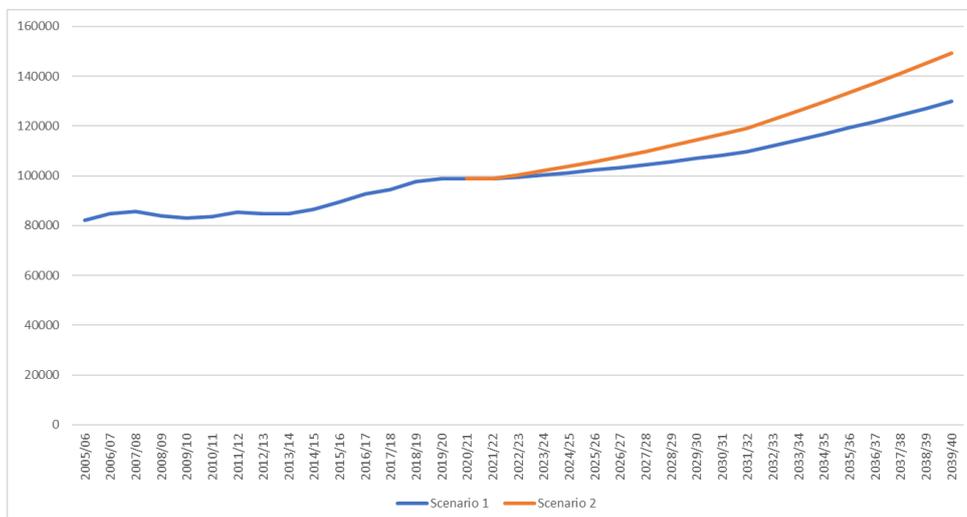
The timing of these projections is challenging for two main reasons:

- Firstly, the effects of the COVID-19 pandemic are still being felt in Melbourne and around the world and the economic disruptions and impacts are expected to endure for some time. Projecting both short and long term changes in this context is particularly difficult; and
- Secondly, detailed results of the 2021 Census will not be available until 2022/2023, meaning that the latest detailed socio-economic and employment data at a local level available to inform the projections relates to 2016.

Given these circumstances, two scenarios are shown: Scenario 1 represents a lower projection, and Scenario 2 represents an upper projection. It is noted that the aim of preparing employment projections is to provide an indication of the likely scale and composition of the local workforce over a planning horizon which enables Council to plan for this growth to be adequately and strategically accommodated within the land and premises available in the municipality. Projections should be regularly reviewed, especially in the variable economic context described above.

Figure 33 shows the results of the employment projections. Employment is projected to increase by between 30,000 and 50,000 jobs over the period to 2040, equating to average growth rates of 1.4% - 2.1% annum. This includes 2020 and 2021 which were impacted by the pandemic.

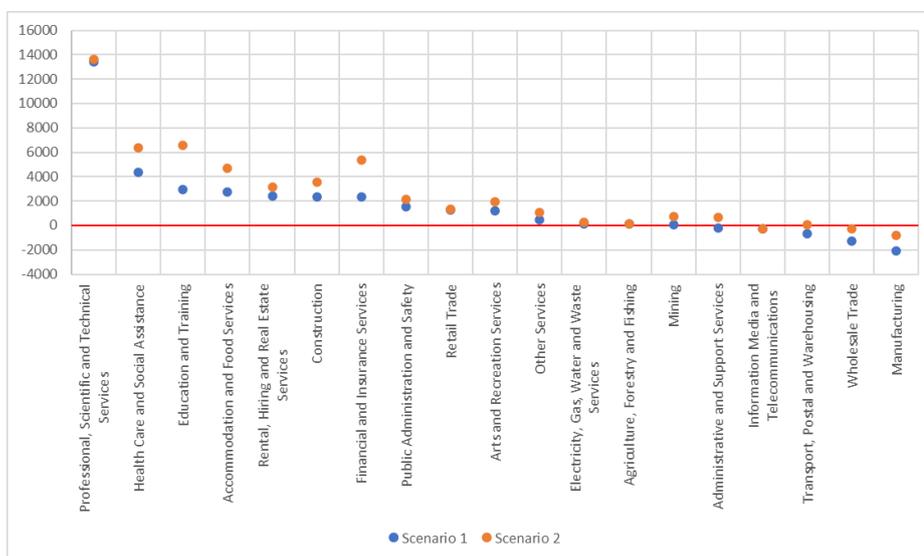
F33. OVERALL EMPLOYMENT TREND AND PROJECTIONS, PORT PHILLIP, 2005 TO 2040



Source: Urban Enterprise.

Figure 34 shows projected employment by industry over the planning period. The greatest employment growth is projected to occur in the industries of Professional, Scientific and Technical Services, Health Care and Social Assistance and Education and Training.

F34. EMPLOYMENT CHANGE BY INDUSTRY, 2020 - 2040

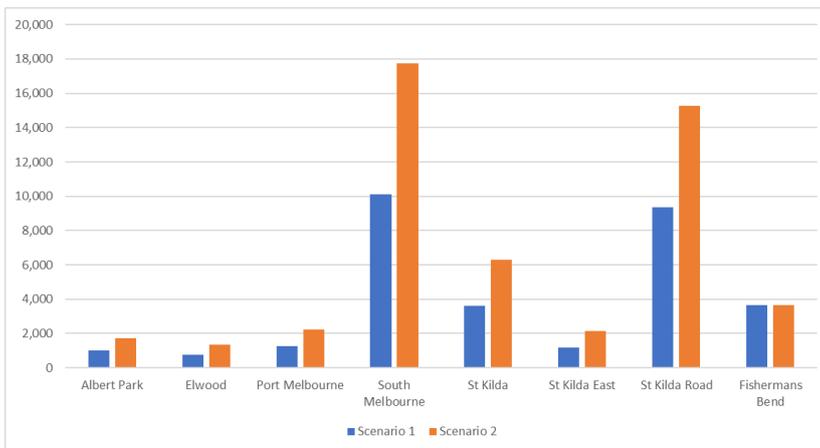


Source: Urban Enterprise.

Figure 35 shows an indicative distribution of employment growth by location in Port Phillip. The projections show that the greatest increases in employment are likely to occur in South Melbourne, St Kilda Road, St Kilda and Fishermans Bend. This is driven by a combination of existing concentrations of businesses, employment land and infrastructure in these areas as well as projections for the majority of population growth being projected to occur in South Melbourne (including Domain), St Kilda Road North, St Kilda and Fishermans Bend.

Although Fishermans Bend has substantial capacity to accommodate up to 34,000 jobs at full development, existing employment will also be displaced and much of the employment growth is likely to occur later in the development timeframe, including beyond the planning period for this study.

F35. PROJECTED EMPLOYMENT GROWTH BY LOCATION, 2020 - 2040



Source: Urban Enterprise. Note: the South Melbourne SA2 includes the South Melbourne Major Activity Centre, Enterprise Precinct and the Domain and Albert Road areas. Parts of the Fishermans Bend area in the South Melbourne SA2 are shown in the Fishermans Bend data, not South Melbourne.

6.6. FLOORSPACE REQUIREMENTS

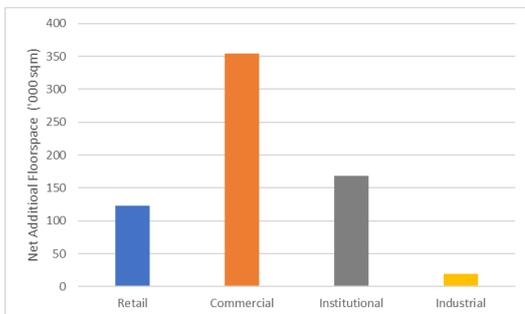
Projected employment growth will require additional floorspace to accommodate new jobs and businesses. Additional employment can also be accommodated through increased employment densities in existing premises, a trend which is common across inner urban areas.

Industry projections were grouped into four overarching land use categories of retail, commercial, institutional and industrial, reflecting the typical premise type occupied by businesses in each industry.²⁴ Floorspace ratios were used for each land use category to convert additional employment into floorspace, allowing for gradual increases in floorspace utilisation densities to take into account medium term trends, particularly relevant for commercial office floorspace in the context of the emergence of hybrid working models.

The results are summarised in Figure 36. There is projected to be a need for approximately 670,000sqm of additional employment floorspace, the majority of which is expected to take the form of commercial (primarily office) space. This excludes floorspace required within Fishermans Bend which is expected to perform a capital city role in accommodating brownfield development of high density office and other commercial space as part of an expanded central city.

²⁴ In some cases, employment in sectors defined as ‘industrial’ (such as manufacturing or wholesale trade) is located in areas with no industrial premises (e.g., factories or warehouses). One example is St Kilda Road, an area which Census data indicates accommodates a substantial number of industrial sector jobs but has no industrial premises – these jobs are likely to occupy office space and have been accounted for in the floorspace assessment at commercial densities.

F36. PROJECTED FLOORSACE REQUIREMENTS BY LAND USE CATEGORY

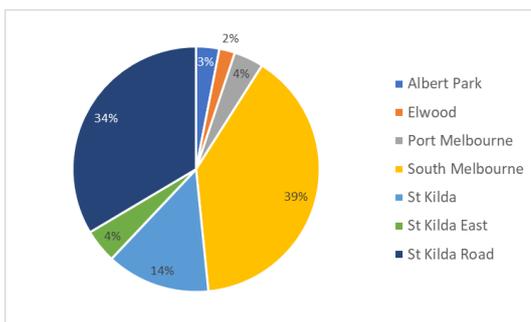


Source: Urban Enterprise. Results exclude Fishermans Bend, which has recently had planning controls established which are designed to accommodate 34,000 jobs over the period to 2051.

FLOORSACE LOCATIONS

Figure 37 summarises the indicative distribution of floorspace expected to occur in each SA2 in the municipality. South Melbourne is projected to require the greatest proportion of overall employment floorspace growth over the period (39%), followed by St Kilda Road (34%).

F37. FLOORSACE PROJECTIONS BY LOCATION



Source: Urban Enterprise.

7. EMPLOYMENT LAND

7.1. INTRODUCTION

This section provides details of the current state of employment land in the municipality, including the distribution of land uses, employment and industries.

7.2. KEY POINTS

- Despite having more than 400 hectares of land in zones which promote business and economic activity, only 24 hectares of land in Port Phillip is reserved solely for employment purposes. This results in a risk that current employment space is displaced by residential land use over time.
- Vacant land in zones which accommodate employment is scarce, meaning that any increase in employment and business activity will primarily need to be accommodated through greater intensification of employment, redevelopment of sites and lot consolidation.
- Port Phillip's major concentrations of employment are primarily in the northern section of the municipality, including Fishermans Bend, St Kilda Road and South Melbourne.
- At the municipal level, the estimated additional development capacity of activity centres and employment precincts (excluding Fishermans Bend) is 2.38m sqm of gross floorspace, which is substantially higher than the projected floorspace demand of 670,000sqm over the period to 2040.
- The St Kilda Road Precinct has the greatest capacity for additional floorspace, owing primarily to the substantial height limits in many parts of the precinct, lack of heritage restrictions and the prevalence of large properties.
- Other locations of substantial capacity include the Commercial 2 Zone in South Melbourne (the South Melbourne Enterprise Precinct) and the Commercial 1 Zone in Major Activity Centres such as Fitzroy Street and South Melbourne.
- The extent to which development capacity is realised and the ultimate balance of employment and residential floorspace is difficult to predict given the prevalence of flexible zoning. When possible land use and development outcomes are considered, it is estimated that the identified development capacity could result in the delivery of up to 680,000sqm, while net additional employment floorspace could be substantially lower if there is widespread conversion of existing commercial premises to mixed use developments weighted towards residential uses.
- The capacity assessment demonstrates the importance of employment-only zones (such as the Commercial 2 Zone in South Melbourne) to the opportunity to safeguard land for employment uses in the context of strong competition for inner urban land from residential alternatives.

7.3. LOCATION AND PRECINCTS

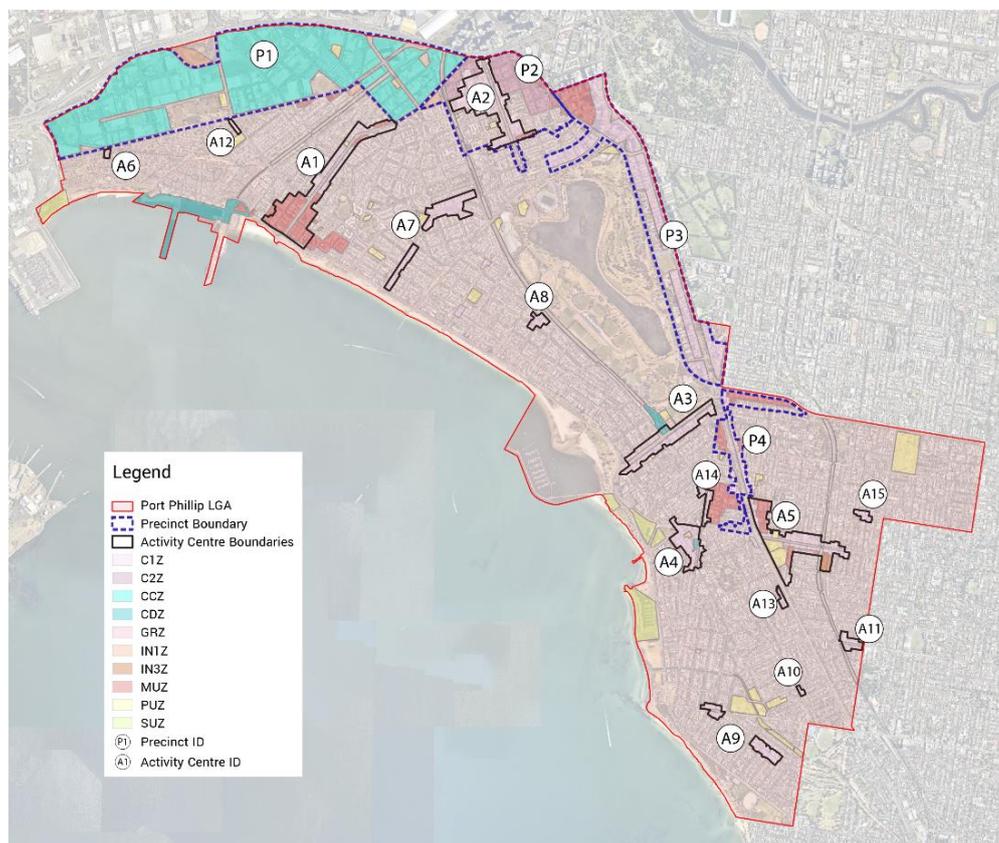
Employment land is defined as land in zones where the main purpose is to accommodate business activities. In Port Phillip, this includes:

- Commercial 1 Zone (C1Z);
- Commercial 2 Zone (C2Z);
- Industrial 1 Zone (IN1Z); and
- Capital City Zone (CCZ).

Although categorised in the Victorian Planning Provisions as a residential zone, the Mixed Use Zone (MUZ) is also included in this assessment as the zone permits a range of employment land uses. Certain other zones also provide for business activity in particular locations, such as the Comprehensive Development Zone (CDZ) and the Special Use Zone (SUZ).

The zoning profile of the municipality is shown in Figure 38. For each defined Activity Centre or Precinct, a code has been allocated as shown in Figure 38 and listed in Table 19.

F38. LOCATION OF EMPLOYMENT LAND AND PRECINCTS



Source: Urban Enterprise.

T19. EMPLOYMENT LAND PRECINCTS

Code	Name	Location	State policy categorisation	Local Policy Categorisation
Major Precinct				
P1	Fishermans Bend	Port Melbourne	State significant commercial	Urban Renewal Area
P2	South Melbourne Central	South Melbourne	Regional Industrial	Industrial Area
P3	St Kilda Road North / Albert Road	Melbourne / South Melbourne	State significant commercial	Primary Employment Node
P4	St Kilda Road South	St Kilda	Local commercial area	Secondary Employment Node
Activity Centres				
A1	Bay Street	Port Melbourne	Major Activity Centre	Major Activity Centre
A2	South Melbourne	South Melbourne	MAC	Major Activity Centre
A3	Fitzroy Street	St Kilda	MAC	Major Activity Centre
A4	Acland Street	St Kilda		
A5	Carlisle Street	Balaclava	MAC	Major Activity Centre
A6	Centre Avenue	Port Melbourne	Local commercial area	Neighbourhood Activity Centre
A7	Bridport Street / Victoria Avenue	Albert Park	Local commercial area	Neighbourhood Activity Centre
A8	Armstrong Street	Middle Park	Local commercial area	Neighbourhood Activity Centre
A9	Ormond Road / Glenhuntly Road	Elwood	Local commercial area	Neighbourhood Activity Centre
A10	Tennyson Street	Elwood	Local commercial area	Neighbourhood Activity Centre
A11	Glen Eira Road	Ripponlea	Local commercial area	Neighbourhood Activity Centre
A12	Graham Street	Port Melbourne	Local commercial area	Local centre
A13	Brighton Road	Elwood	Local commercial area	Local centre
A14	Inkerman / Grey Streets	St Kilda	Local commercial area	Local centre
A15	Inkerman Street	Balaclava	Local commercial area	Local centre

Source: Urban Enterprise.

7.4. ZONED LAND AREA

There is currently 409 hectares of land within zones primarily designed to accommodate employment uses in the City. The Capital City Zone in Fishermans Bend accounts for almost half (189 ha, 46%) of this land.

Table 20 summarises total zoned employment land by suburb. After Capital City Zone, the next largest zones by area are the Commercial 1 Zone (124 hectares) and the Mixed Use Zone (50 hectares).

The three most common employment zones (CCZ, C1Z and MUZ) each permit dwellings at upper levels. The only 'employment only' zones applied in the municipality are the Commercial 2 Zone (South Melbourne/Southbank, 20 hectares) and the Industrial 1 and 3 Zones (three small areas totalling 3.5ha).

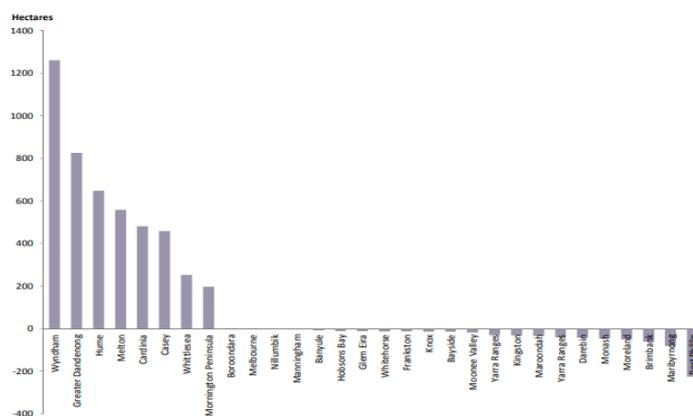
Primarily by virtue of the Fishermans Bend rezoning in 2012, Port Phillip experienced the greatest reduction of industrial zoned land of any Melbourne municipality between 2000 and 2016 (net reduction of 230 hectares, Figure 39). As a result, land zoned for industrial purposes is now extremely limited.

T20. ZONED LAND BY SUBURB

Suburb	C1Z	C2Z	MUZ	CCZ	CDZ	IN1Z	IN3Z	SUZ	Total
St Kilda	27.1	0	15.3	0	2.6	0	0	9.0	54.0
Port Melbourne	7.6	0	20.8	140.0	5.4	0.8	0	3.9	178.4
Elwood	6.1	0	0	0	0	0	0	1.6	7.6
St Kilda East	0.6	0	0	0	0	0	0	0	0.6
Melbourne	28.6	0	0	0	0	0	0	0	28.6
South Melbourne	29.7	14.7	11.9	35.6	0	1.2	0	0	93.1
Southbank	1.4	5.6	0	11.9	0	0	0	0	18.9
Albert Park	9.9	0	0.3	0	0	0	0	0	10.3
Middle Park	2.5	0	0	0	0	0	0	0	2.5
Balaclava	5.9	0	0.9	0	0	0	1.5	0	8.3
Ripponlea	1.8	0	0	0	0	0	0	0	1.8
St Kilda West	0.1	0	0	0	0	0	0	0	0.1
South Wharf	0	0	0	1.1	0	0	0	0	1.1
Windsor	2.8	0	1.1	0	0	0	0	0	3.9
Total	124.1	20.3	50.4	188.5	8.0	2.0	1.5	14.4	409.2

Source: City of Port Phillip; Urban Enterprise. Data represents gross zoned area, not property area.

F39. NET CHANGE IN INDUSTRIAL LAND, 2000 TO 2016



Source: Urban Development Program, 2016.

7.5. DEVELOPMENT CAPACITY

Vacant employment land is extremely scarce. At the time of the last rating valuations, a total of 5.8 hectares of land was categorised as vacant within employment zones (1.4% of the total land area). It is likely that many of these vacant sites were in the process of redevelopment at the time of valuation.

As is common in inner urban areas, any increases in business activity or employment in the municipality will need to come from more intensive or efficient use of existing premises and redevelopment of land to increase the floorspace dedicated to employment uses.

An assessment of development capacity of employment zones was undertaken based on the approach outlined in Appendix D. The assessment calculates the net additional floorspace that can be constructed in accordance with built form planning controls.

Only sites considered to have genuine development potential are included in the assessment. Other sites which are considered unlikely to be developed over the planning period of the SEEF are not included in the capacity estimates, such as sites subject to heritage controls, recently completed buildings and small properties.

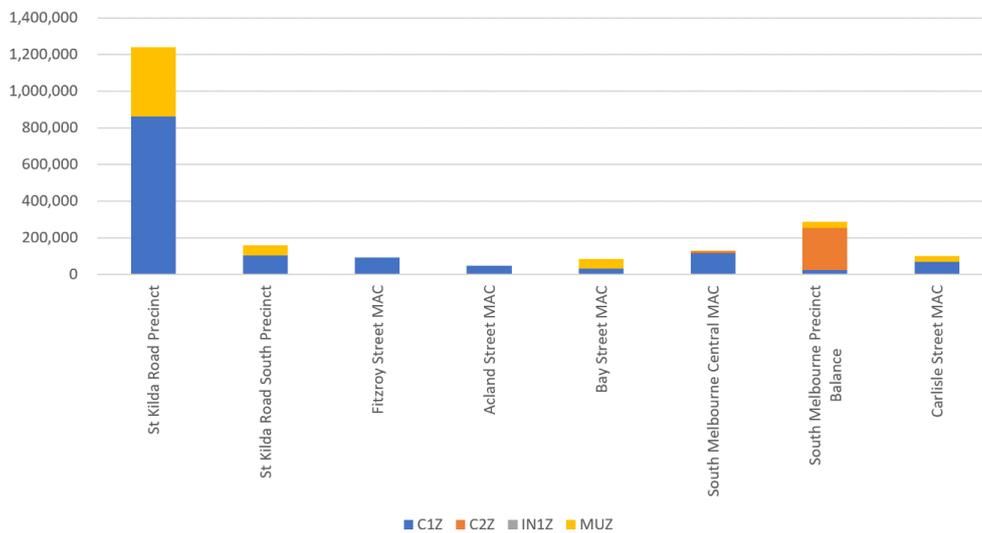
CAPACITY OVERVIEW

Figure 40 depicts the net additional capacity of employment precincts and Major Activity Centres in gross floorspace terms.

The St Kilda Road Precinct has the greatest capacity for additional floorspace, owing primarily to the substantial height limits in many parts of the precinct (most development candidate sites have height limits of 15 or 18 storeys), the lack of heritage controls and the prevalence of large properties.

The other locations of substantial capacity include the Commercial 2 Zone in South Melbourne (the South Melbourne Enterprise Precinct) and the Commercial 1 Zone in Major Activity Centres such as Fitzroy Street and South Melbourne.

F40. NET ADDITIONAL FLOORSPACE CAPACITY, EMPLOYMENT PRECINCTS AND MAJOR ACTIVITY CENTRES



Source: Urban Enterprise.

The results of the capacity assessment provide an indication of the theoretical scale of additional floorspace that could be delivered based on current planning controls and property circumstances for the purposes of strategic planning, a capacity which is acknowledged as unlikely to be realised over the 20 year period of the SEEF.

The extent to which this capacity is converted to employment floorspace as opposed to residential dwellings is difficult to predict given the land use flexibility embedded in the Commercial 1 Zone and Mixed Use Zone which applies to the majority of employment land in Port Phillip outside Fishermans Bend.

In order to consider potential land use outcomes, two scenarios were considered as part of the capacity analysis:

- First, a scenario of a low employment floorspace outcome relative to residential land uses. This scenario is based on the removal of existing floorspace and replacement with a development which maximises the site's permissible floor area yield (based on planning controls) and comprising a land use mix typical of recent developments in the zone (for example, sites in the Commercial 1 Zone are modelled to have 75% residential and 25% commercial floorspace). The results of this scenario often show low overall net employment floorspace outcomes, primarily due to the C1Z and MUZ commonly experiencing higher density residential-focused developments replacing low and medium density former commercial and industrial premises.
- Second, a scenario of a higher employment floorspace outcome, which applies a land use mix to the net additional floorspace to determine the potential scale of employment and residential outcomes possible. This scenario considers the additional employment floorspace that could be delivered if this type of floorspace was given greater priority than in the first scenario.

In practice, development economics will be the primary determinant of the scale and land use mix of new floorspace delivered within the confines of built form controls in areas of flexible zoning. The highest and best use of sites and locations may change over time depending on property market cycles and local conditions.

Table 21 shows a summary of the two scenarios of development capacity by land use. The table demonstrates the wide range of potential land use outcomes that are possible within zones which permit residential and employment land uses.

At the municipal level, the estimated additional capacity of employment land (excluding Fishermans Bend) is 2.39m sqm of floorspace, which is substantially higher than the projected floorspace demand of 670,000sqm over the period to 2040. When possible land use and development outcomes are considered, however, the opportunity for residential development in most areas reduces the employment floorspace that may be delivered within the overall capacity to approximately 679,000sqm (Scenario 2), while net additional employment floorspace could be as low as 194,000sqm (Scenario 1) if all developable sites in employment zones were developed with a land use mix weighted towards residential.

Table 21 demonstrates the importance of employment-only zones (such as the Commercial 2 Zone in South Melbourne) to the opportunity to safeguard land for employment uses in the context of strong competition for inner urban land from residential alternatives.

Demand and capacity considerations at the local level are included in the following section.

T21. POTENTIAL EMPLOYMENT FLOORSPACE OUTCOMES

Precinct	Net Additional GFA	Potential Employment Floorspace outcomes (sqm)	
		Scenario 1	Scenario 2
St Kilda Road Precinct	1,240,000	-57,000	254,000
St Kilda Road South Precinct	159,000	5,000	32,000
South Melbourne Central MAC	130,000	4,000	39,000
South Melbourne Precinct Balance	289,000	225,000	240,000
Fitzroy Street MAC	95,000	9,000	24,000
Acland Street MAC	49,000	4,000	12,000
Carlisle Street MAC	101,000	-2,000	21,000
Bay Street MAC	86,000	-3,000	13,000
Neighbourhood Activity Centres	78,000	7,000	20,000
Local Activity Centres	52,000	7,000	13,000
Suburb balance	108,000	-5,000	12,000
Sub-total	2,388,000	194,000	679,000
Fishermans Bend		1,054,000	1,054,000
Total		1,248,000	1,733,000

Source: Urban Enterprise. Note: potential employment floorspace outcomes are indicative based on scenarios of land use mix and do not represent a floorspace 'limit'.

PART C. PRECINCT ANALYSIS

8. PRECINCTS AND ACTIVITY CENTRES

8.1. INTRODUCTION

This section provides analysis of each employment precinct and activity centre. Analysis is presented for the following categories:

- Employment Precincts;
- Major Activity Centres;
- Neighbourhood and Local Activity Centres; and
- Local Industrial Areas.

For each precinct, information and analysis is provided in the categories of:

- Zoning, land use and business mix;
- Market conditions and views of consultees;
- Employment projections and development capacity;
- Growth and drivers of future change; and
- Key issues and implications for the study.

8.2. KEY POINTS

- The expansion of the central city and flexible zoning in both Fishermans Bend and St Kilda Road is resulting in residential development directly competing with – and replacing – former commercial and industrial premises in the City’s major employment precincts.
- Redevelopment of land in Fishermans Bend will alter the existing employment and business mix and has the potential to reduce specialisations associated with creative industries.
- The St Kilda area has a disjointed proliferation of employment land and premises across main road frontages throughout the suburb, limiting the establishment of clear employment and economic roles. Economic challenges and vacancies in St Kilda and the role of employment land should be a particular focus for planning in the coming period, with opportunities for smaller businesses and niche enterprises encouraged.
- Business preferences for office space in high amenity ‘precincts’ is manifesting in strong demand for office space in South Melbourne, but less growth in traditional main road premises.
- Port Phillip has a thriving network of smaller retail villages which generally have very low vacancies, limited capacity for redevelopment and excellent local amenity. Planning should investigate ways to increase the diversity of business types and scale of employment accommodated in these areas, especially in Albert Park, Elwood and Ripponlea.
- Remaining local industrial areas are not considered strategic precincts for industrial purposes and have potential to accommodate more intensive employment land uses.

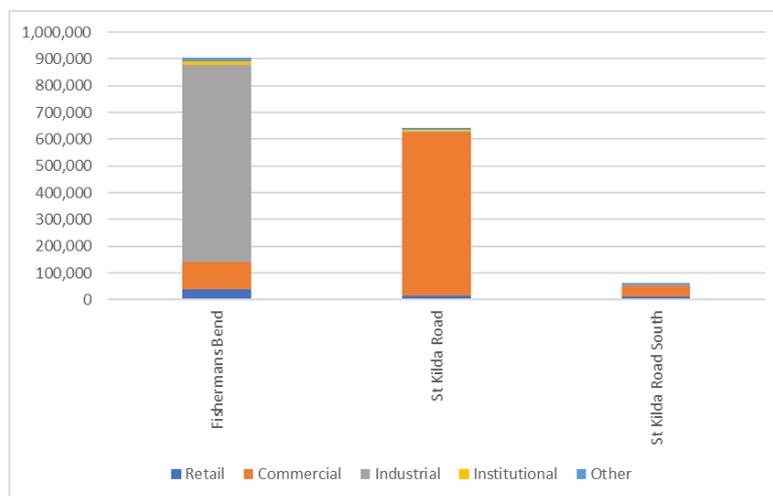
8.3. EMPLOYMENT PRECINCTS

Figure 41 shows the floorspace mix of employment precincts.

The figure shows that Fishermans Bend comprises a substantial supply of industrial floorspace, while St Kilda Road North accommodates a major concentration of office / commercial floorspace.

St Kilda Road South has substantially less employment floorspace when compared with the other dedicated employment precincts, primarily due to the low-rise profile of most premises in the Commercial 1 Zone throughout the precinct.

F41. EXISTING FLOORSPACE IN EMPLOYMENT PRECINCTS



Source: Urban Enterprise, based on City of Port Phillip Property Database, 2020.

8.3.1. ST KILDA ROAD NORTH

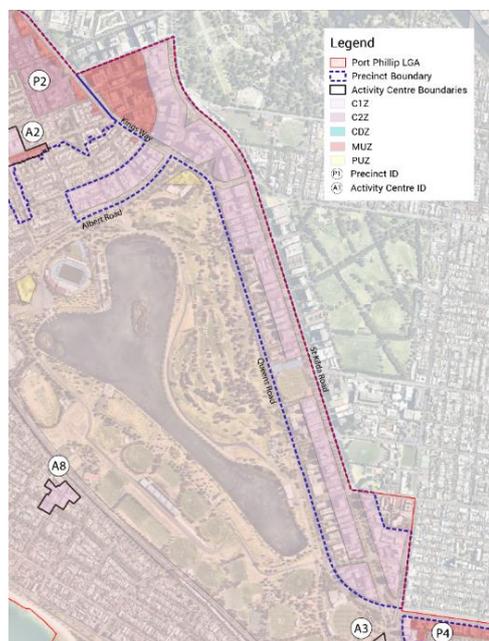
ZONING, LAND USE AND BUSINESS MIX

Figure 42 shows the zoning profile of St Kilda Road North and Table 22 summarises the key policy, land use and economic attributes of the area.

Main observations are as follows:

- St Kilda Road North forms an extension of the central city and has historically primarily accommodated large floorplate high-rise office buildings, along with some apartments and hotels.
- The majority of employment land in the precinct is within the Commercial 1 Zone, with a section of Mixed Use Zone in the Domain area. The General Residential Zone applies to some land in the central and southern sections of the precinct.
- The precinct accommodates approximately 550,000sqm of office floorspace, making it one of the largest concentrations of office space outside the Melbourne CBD. Office sector employment decreased, however between 2011 and 2016.
- The Precinct accommodated more than a quarter of the municipality's employment in 2016 – any changes to employment and business activity in the precinct will be of consequence to the overall City economy.
- There is currently more floorspace used for residential purposes across the precinct than for commercial purposes. Residential uses are generally in separate buildings to commercial uses, resulting in an overall lack of land use integration across the precinct.
- Businesses are primarily office-based services businesses, most commonly financial, insurance, property and other corporate head office functions. The Alfred Hospital is a substantial occupier of commercial space in the southern parts of the Precinct.
- Commercial accommodation uses are also prominent, with hotel businesses operating in many of the larger towers along St Kilda Road. These are supported by some hospitality businesses at ground level.

F42. ZONING PROFILE – ST KILDA ROAD NORTH



Source: Urban Enterprise.

T22. KEY INDICATORS - ST KILDA ROAD NORTH

Indicator	Result
State government categorisation	State significant commercial area
Employment land area	37.1ha
Employment Land Breakdown	Commercial 1 Zone: 84% (31.2ha) Mixed Use Zone: 16% (5.9ha)
Employment % of Port Phillip (2016)	26%
Employment Breakdown (2016) and trend (2011 to 2016 change)	Commercial: 57% (-7%) Retail: 8% (+2%) Industrial: 19% (+2%) Institutional: 11% (+5%) Other: 5% (-1%)
Main Employment Floorspace categories	Commercial: 611,000sqm (95%) Retail: 16,000sqm (2%)

Source: Urban Enterprise, based on City of Port Phillip Property Database and ABS Census 2016.

MARKET CONDITIONS AND VIEWS OF CONSULTEES

- The office role of St Kilda Road has endured over a long period despite phases of high vacancies generally linked to broader economic conditions. In January 2017, office vacancies were at 12.9%, the same rate as January 2021 during the COVID pandemic.²⁵
- Overall office space stock in the broader St Kilda Road precinct decreased by 21% from 1992 to 2016 and has since decreased by a further 7% to January 2021, due in many cases to residential developments and conversions. In 2020, there was negative net absorption of office space in the precinct of 32,000sqm²⁶ however longer term projections for office space demand are for stable net absorption once economic conditions normalise. Reductions in office stock have generally been in lower quality (secondary) space.
- The central city office market has been strongly impacted by the COVID pandemic, with vacancies rising above 10% in the CBD and many larger businesses reconsidering the need for large tenancies due to increased home-based working.
- Consultation with real estate agents indicated that office space in the precinct is now primarily appealing to a relatively limited part of the market, being more conservative businesses seeking larger floorplates, especially those which have traditionally had a presence in the precinct. Agents noted the sustained shift in demand (both pre- and post-pandemic) for office space within precincts with a greater diversity of land uses, strong hospitality and retail offer and a place brand which aligns with newer businesses, especially South Melbourne, Richmond and Collingwood.
- Residential development is intensifying in the precinct. 1,568 apartments were completed in Major Redevelopment Projects the Commercial 1 Zone in the St Kilda Road precinct from 2016 to 2020²⁷. This contrasts with the overall reduction in office space over the same period, providing a clear example of residential developments competing with employment uses in flexible commercial zones.
- The Albert Park / Queens Road frontage of the precinct has traditionally accommodated several large scale visitor accommodation and conference facilities capitalising on the park setting and views. In recent years, several of these businesses have closed, with properties currently marketed for sale as residential development sites within the General Residential Zone.
- Business consultees identified that there has been strong growth of the Alfred Hospital precinct influencing St Kilda Road, but that some businesses have moved from St Kilda Road to Docklands due to better public transport access (Southern Cross Station). The impending opening of the ANZAC Station is likely to support

²⁵ Knight Frank, St Kilda and Southbank Office Market, April 2021.

²⁶ Knight Frank, St Kilda and Southbank Office Market, April 2021.

²⁷ Urban Development Program, 2016 – 2021.

business attraction and growth in locations near the station, a view supported by the business case for the Melbourne Metro project.

- Business consultees identified the importance of maintaining a strong hospitality offer to support an ongoing commercial business role and suggested that accommodating serviced offices is a key opportunity.

GROWTH AND CAPACITY

Employment projections for the St Kilda Road Precinct are influenced by both the St Kilda Road and South Melbourne areas given the South Melbourne area includes Domain and the Albert Road area.

Table 23 summarises floorspace projections and capacity. The substantial capacity in the St Kilda Road precinct for additional floorspace exceeds the overall projected demand for employment floorspace, however it is important to note that in the St Kilda Road precinct, the additional floorspace is entirely within the Commercial 1 Zone and Mixed Use Zone which permit residential development.

As noted earlier in this report, if all sites in the St Kilda Road precinct identified as having development potential were redeveloped, there is the potential for the employment floorspace of the precinct to continue to decline due to replacement by residential dwellings.

T23. FLOORSPACE DEMAND AND CAPACITY

Area	Floorspace Demand Total (sqm)	Net Additional Floorspace capacity	Potential employment floorspace delivery
St Kilda Road and South Melbourne	475,000	1,659,000	533,000sqm

Source: Urban Enterprise. Note: Floorspace Demand Total relates to Retail, Commercial and Institutional combined.

DRIVERS OF FUTURE CHANGE

- The completion of ANZAC Station (expected in 2025) will significantly expand the capacity and accessibility of the precinct in terms of public transport. Fixed rail transport enables workers to travel longer distances to workplaces and will increase the attractiveness of the northern section of the Precinct to office-based businesses.
- The Alfred Hospital is a major health and research institution immediately adjacent to the St Kilda Road precinct. Ongoing expansion of the hospital is proposed, and office space already extends throughout the St Kilda Road precinct. The hospital has recently acquired further land on the east side of St Kilda Road for new medical facilities. St Kilda Road is a strategic location for businesses seeking proximity to the Hospital for both medical and office purposes, especially given the absence of commercial land at any other hospital interface. Projected growth in demand for health services and employment is a major trend discussed earlier in this report – land near the hospital is strategically located to accommodate employment growth in this sector.
- The Victorian Government has announced major investments into the Arts Centre precinct which will increase the breadth, quality and attractiveness of the northern part of the precinct to visitors.
- The Domain and St Kilda Road precincts are expected to accommodate an additional 7,500 residents over the planning period²⁸. This is a substantial increase which will generate demand for local retail goods and services and further increase the local labour force, primarily in the northern section of the precinct. The integration of residential population and associated hospitality and services can contribute to a greater diversity of local activity and greater worker amenity in employment precincts.
- Post-pandemic changes to office working practices and workplaces, such as more hours being completed from home and businesses responding by providing greater collaboration space and focusing on locations and premises which offer a high amenity environment, will require a focus on improving worker amenity in the St Kilda Road Precinct to attract and retain employment.

²⁸ Forecast ID.

KEY ISSUES AND IMPLICATIONS

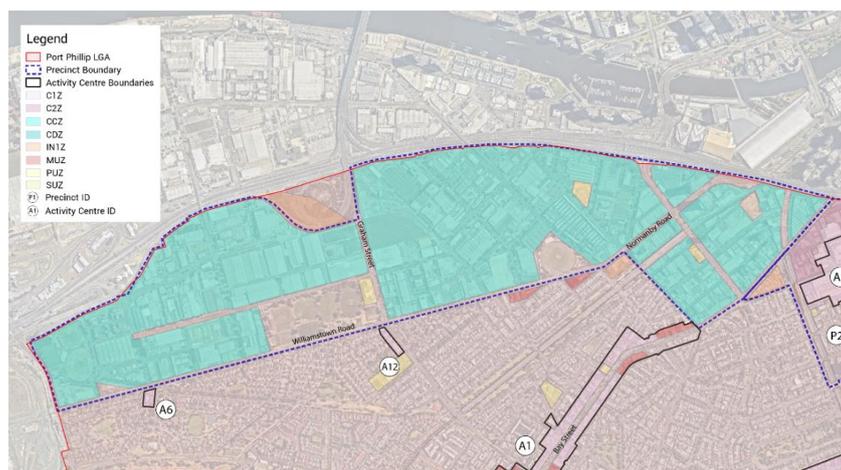
- The employment role of parts of St Kilda Road has weakened over the past decade and the land use mix is not well suited to meet the priorities of some contemporary business types.
- Strong competition from other inner city employment areas with attractive attributes for office businesses (especially city fringe areas) could result in further weakening of the employment role, however investment in public transport (ANZAC Station), cultural facilities (Arts Precinct) and health services (Alfred Hospital) will create strategic opportunities for an ongoing and potentially refreshed employment role and land use mix across the Precinct.
- There is a need to implement the designated 'State significant commercial role' of St Kilda Road North in the context of increasing residential development permitted in the Commercial 1 and Mixed Use Zones. This should be primarily implemented in strategic precincts within the corridor, particularly the ANZAC Station Precinct and the Alfred Hospital Precinct, with objectives to ensure employment floorspace is prioritised, worker amenity is improved and opportunities for strategic business clustering can occur alongside complementary residential uses.

8.3.2. FISHERMANS BEND

ZONING, LAND USE AND BUSINESS MIX

Figure 43 shows that all developable land in Fishermans Bend within Port Phillip is in the Capital City Zone.

F43. ZONING PROFILE – FISHERMANS BEND



Source: Urban Enterprise.

Table 24 summarises the key policy, land use and economic attributes of the sections of Fishermans Bend that are within the City of Port Phillip. Key observations are as follows:

- The land use and employment mix of Fishermans Bend continues to change following rezoning of the area in 2012. The land use profile is primarily industrial, which made up 40% of all employment in 2016 and currently comprises 81% of all employment floorspace in the area.
- The precinct accommodates substantial employment in offices and warehouses. Specialisations identified in previous research include creative industries in the Montague and Employment Precincts and advanced manufacturing in the Employment Precinct (City of Melbourne). In 2016, it is estimated that the economic contribution of the Port Phillip section of Fishermans Bend was \$1.95bn Gross Value Added.²⁹
- The precinct accommodates a wide range of businesses which are generally characterised by low employment densities. The most common business types include car dealers, self storage, logistics, indoor recreation, construction, warehouses and wholesalers, trade supplies, manufacturers, corporate headquarters and smaller offices.
- The precinct currently accommodates several businesses providing advanced media and technology products and services related to video and performing arts, including Creature Technology (animatronics), Savage Film Services (lighting supplies for videos and on-line content), recording studios and post-production businesses. These businesses are located in a combination of industrial and business park premises.

²⁹ Fishermans Bend Economic and Employment Study, SGS, 2016.

T24. KEY INDICATORS – FISHERMANS BEND (PORT PHILLIP SECTION)

Indicator	Result
State government categorisation	Urban Renewal Area
Employment land area	151.70ha
Employment Land Breakdown	Capital City Zone (100%)
Employment % of Port Phillip	15%
Employment Breakdown (2016) and trend (2011 to 2016 change)	Industrial: 42% (-10%) Commercial: 34% (+7%) Retail: 11% (+2%) Institutional: 7% (+1%) Other: 6% (0%)
Main employment floorspace categories	Industrial: 736,000sqm (81%) Office: 104,000sqm (11%) Retail: 39,000sqm (4%)

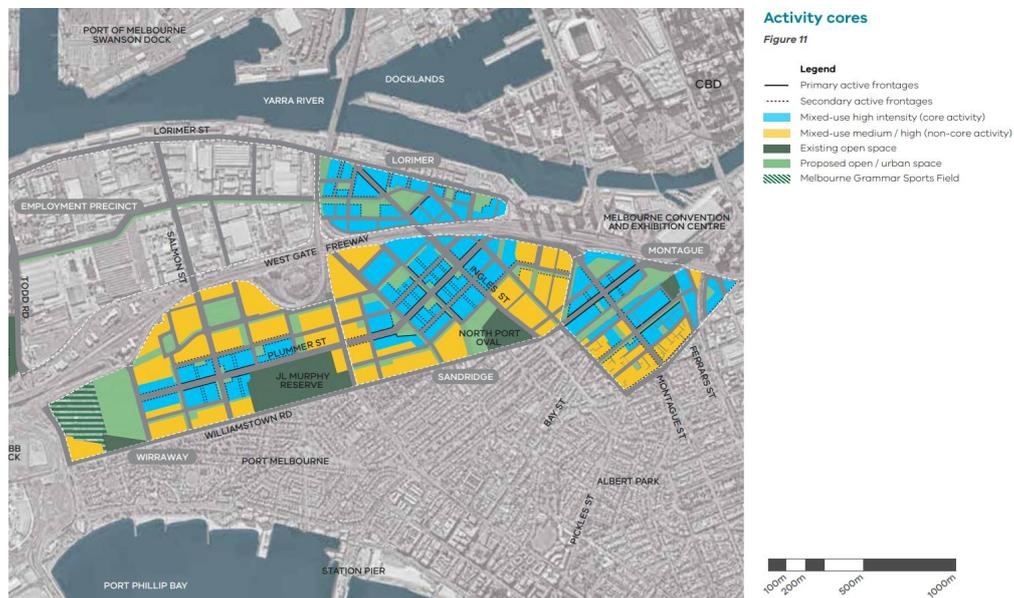
Source: Urban Enterprise, based on City of Port Phillip Property Database (land area and floorspace) and ABS Census 2016 (employment).

PLANNING VISION AND CAPACITY

The Fishermans Bend Framework Plan sets out the spatial and economic vision for precincts within the Urban Renewal Area. Figure 44 shows the Activity Cores Map from the Framework Plan which will guide the location and type of employment land uses across the precincts. Core areas are designated within each precinct as a focus for employment, business and retail space.

Table 25 summarises the land use visions for the precincts and the estimated employment outcomes. Each precinct has a distinct employment role envisaged.

F44. ACTIVITY CORES MAP



Source: Fishermans Bend Framework Plan.

T25. PRECINCT VISIONS AND CAPACITY

Precinct	Land use vision	Employment capacity
Port Phillip Precincts		
Wirraway	A predominantly family-friendly inner city neighbourhood close to the bay and Westgate Park	4,000
Sandridge	One of Melbourne's premium office and commercial centres, balanced with diverse housing and retail	26,000
Montague	A diverse and well-connected mixed use precinct celebrating its significant cultural and built heritage, and network of gritty streets and laneways	4,000
Port Phillip Sub-total		34,000
City of Melbourne Precincts		
Lorimer	A vibrant, mixed-use precinct close to the Yarra River and connected to Melbourne's CBD, Docklands and emerging renewal areas	6,000
Employment (NEIC)	Australia's leading design, engineering and advanced manufacturing precinct.	40,000 (+20,000 students)
City of Melbourne Sub-total		46,000
Total		80,000

Source: Fishermans Bend Framework Plan, 2018.

The implications, potential benefits and opportunities of the planning visions for each precinct are discussed below based on the content of the Fishermans Bend Framework Plan and consideration of this alongside the analysis presented in this report.

MONTAGUE

- The Precinct has similar attributes to many other parts of South Melbourne, such as excellent public transport accessibility, proximity to the CBD and relatively fine-grain street and laneway pattern.
- The vision for Montague to accommodate 4,000 jobs within mixed use developments would result in the displacement of a wide range of existing low rise industrial and commercial premises, businesses and jobs.
- The vision for mixed use development aligns with the highly strategic location close to the CBD and Southbank to create a desirable location for a range of land uses, including employment, residential and retail. The existing availability of public transport and proximity to retail and services in South Melbourne indicate that early development of land in this precinct will be supported, evidenced by the strong rate of development applications in the area.
- The eastern part of the sub-precinct 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.
- Montague will ultimately form part of a ribbon of precincts along Port Phillip's northern boundary (and the southern edge of the central city) including South Melbourne, Domain and St Kilda Road. Its economic role should be linked to that of South Melbourne so that the advantages of the area in accommodating smaller businesses and a diverse range of retail, commercial and creative activities can be leveraged.

SANDRIDGE

- The Sandridge Precinct is characterised by industrial scale blocks and is primarily occupied by large warehouses, offices and restricted retail premises.
- The vision for Sandridge to accommodate 26,000 jobs, primarily within high-rise commercial towers, will require substantial land use change and intensification and the delivery of enabling infrastructure, particularly public transport (the precinct is proposed to be served by both train and tram line extensions from the CBD) and public realm improvements.

- Infrastructure investment and planning permission for high density commercial development will enable the precinct to function as an extension to the CBD and attract businesses requiring large office premises. The experience of the past 20 years of strong office floorspace development in Docklands shows the scale of demand for new large floorplate offices adjacent to the CBD.
- Sandridge presents an opportunity for employment land in Port Phillip to be used to accommodate a greater employment density than currently and to capitalise on the location and labour force advantages which support an existing specialisation in professional and other knowledge-based services in the northern parts of the municipality. Conversely, redevelopment is likely to result in a reduction of many business and employment types which cannot be replaced elsewhere in the City, including manufacturing and transport.

WIRRAWAY

- The Precinct currently accommodates a wide range of small, medium and large industrial and commercial spaces and open space. The precinct is the furthest of Port Phillip precincts from the Melbourne CBD, but the closest to the bay, the Port of Melbourne, the Port Melbourne MAC and the Fishermans Bend NEIC.
- The vision for the precinct is to accommodate 4,000 jobs within a core area along Plummer Street which is proposed to have direct access to an extended tram line and possibly a metro train station. Conversion of industrial and low-density commercial land to higher density mixed use in this area will rely on infrastructure provision and is likely to be less attractive to businesses in the short-medium term than other precincts due to the lesser proximity to transport and existing central city employment concentrations.
- In the medium term, Wirraway will offer the closest Port Phillip employment land to the new Melbourne University campus in the NEIC. This proximity is likely to be attractive to certain business types, such as education providers and business support services which prefer a mixed use environment (rather than locating within the NEIC) but value proximity to the specialised activities expected to occur in the NEIC.
- Recent development of a supermarket and large format liquor retailer in the Wirraway precinct highlight the potential impact of new retailers in this precinct on the retail and overall activity centre performance at nearby Port Melbourne.
- Redevelopment of land in this precinct could displace creative sector businesses which occupy industrial and commercial premises, such as video and performing arts related businesses. This would contribute to the challenges faced by creative business types in accessing suitable larger premises close to South Melbourne and the CBD.

DRIVERS OF FUTURE CHANGE

- The Fishermans Bend Employment precinct (in the City of Melbourne) is expected to accommodate 40,000 jobs at completion, half the estimated employment of the Urban Renewal Area. Businesses and organisations currently or expected to locate within the NEIC include Boeing, Siemens and a Melbourne University engineering and design campus. The proposed opening of the University campus in 2025 will substantially alter the education landscape in the northern part of Port Phillip. Certain businesses, students and other organisations typically seek co-location and proximity benefits associated with tertiary institutions, which is likely to benefit Wirraway and Sandridge.
- Early development in the Urban Renewal Area has primarily focused on medium and high density housing, visitor accommodation and isolated mid-rise office space and retail development, however the Framework Plan now requires applications to respond to the non-residential floorspace requirements of the various precincts. The primary catalyst for substantial redevelopment of land in Fishermans Bend other than residential will be the delivery of public transport infrastructure to the area along with road and public realm upgrades, especially along the Plummer Street spine.
- Diminishing opportunities for new commercial floorspace development in the Melbourne CBD and Docklands in the medium term is expected to drive demand for office space in Fishermans Bend and other city-edge locations with development potential.
- The population of the Urban Renewal Area, especially in Montague, will increase quickly as current approvals and applications are converted to completed dwellings. This will create an increasing local labour force and

demand source in the north-western section of the municipality, benefiting local businesses in the South Melbourne and Port Melbourne areas.

KEY ISSUES

- Precincts in Fishermans Bend offer three distinct business locations which can capitalise on demand for city-edge commercial and retail space and provide employment opportunities for Port Phillip residents. It is important that precinct plans for each area capitalise on the different location characteristics, proximity to nearby centres and opportunities for local specialisations.
- The Fishermans Bend planning controls include preferred employment densities to ensure that mixed use development delivers sufficient employment floorspace. The effectiveness of these controls should be monitored to ensure that the economic vision for each precinct is realised.
- Public transport and public realm investment are important pre-conditions to stimulate the delivery of new employment floorspace, especially in the Sandridge precinct where the majority of expected jobs are planned, and in Montague, where opportunities exist to extend the popular South Melbourne mixed-use environment.
- Redevelopment of land in Fishermans Bend will result in the displacement of a range of businesses and jobs which is likely to reduce the diversification and certain specialisations of the surrounding Port Phillip, Port Melbourne and South Melbourne economies (especially relevant to creative industries). Strategic planning for Precinct plans should seek to accommodate a mix of employment types, premises and densities.
- New retail centres and anchors will provide strong competition for South Melbourne and Port Melbourne retailers in the medium term. Clearer policy direction is required for future retail centres and anchors in Fishermans Bend to optimise outcomes for existing and new centres.
- Major government and university investment in the Employment Precinct should be considered in precinct planning, including opportunities for businesses seeking proximity to the employment precinct while also preferring a mixed use environment (for example, in Wirraway).

8.3.3. ST KILDA ROAD SOUTH

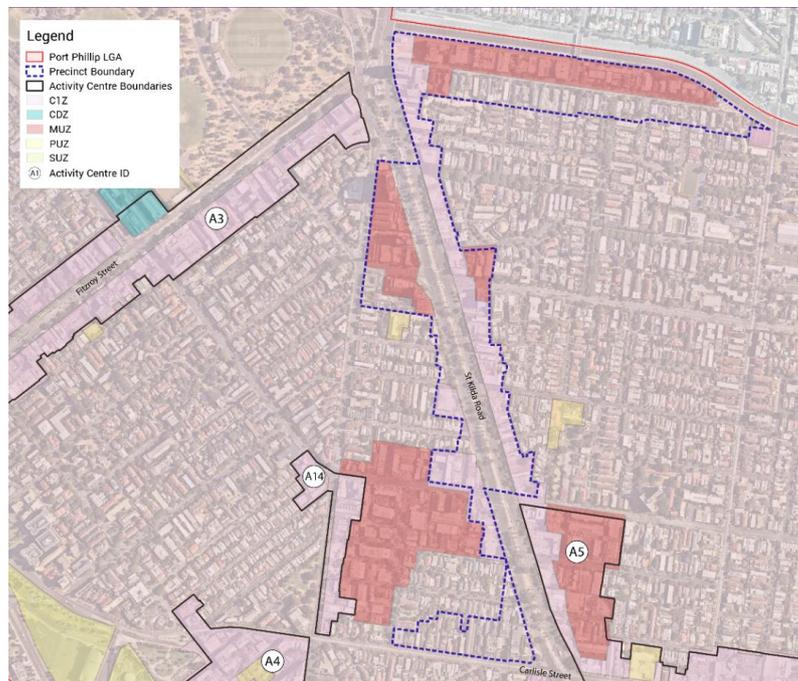
ZONING, LAND USE AND BUSINESS MIX

Figure 45 shows the zoning profile of St Kilda Road South and Table 26 summarises the key policy, land use and economic attributes of the precinct.

St Kilda Road South comprises long linear stretches of land fronting St Kilda Road, Carlisle Street and Wellington Street in the C1Z and MUZ. A total of 9.3 hectares of land is in the area, most of which fronts St Kilda Road. The following observations are made regarding the current role and business mix in the Precinct:

- The existing economic role of the precinct is defined in the St Kilda Road South Urban Design and Land Use Framework (UDLUF, 2015) as “niche retail and creative business cluster”. The current business mix and land use types in 2021 indicate that the precinct’s role could now be defined as a secondary linear commercial precinct. The UDLUF identified an oversupply of land for retail purposes in the St Kilda area and recommended rezoning of some C1Z land to the MUZ.
- The most common business type today is professional services, and office / commercial floorspace is the most common premise type (40,000sqm).
- Site visits indicated that commercial vacancies in the precinct are high along St Kilda Road. Although this analysis was prepared during challenging economic conditions associated with the COVID pandemic, many premises appear ‘long term vacant’ and vacancies were noticeably higher than other parts of the municipality at the same point in time.
- The land use mix is inconsistent across the precinct and is characterised by small to medium professional services, showrooms, commercial recreation and personal services. Some larger properties are occupied by large format retailers and budget accommodation.
- Several art galleries are located along St Kilda Road, along with a 3,000sqm co-working facility.
- The northern section of the Commercial 1 Zone on St Kilda Road houses a range of specialised personal, household and electronic goods retailers. Other than this cluster, the precinct currently performs little role in terms of core or convenience retail.
- The Wellington Street MUZ accommodates a mix of apartments and offices in mid-rise buildings with excellent amenity on Wellington Street but a relatively harsh interface to Dandenong Road at the rear. Business types generally include professional services, advertising, accounting and specialised consulting.

F45. ZONING PROFILE – ST KILDA ROAD SOUTH



Source: Urban Enterprise.

T26. KEY INDICATORS – ST KILDA ROAD SOUTH

Indicator	Result
State government categorisation	Locally significant commercial
Employment land area	9.3ha
Employment Land Breakdown	Commercial 1 Zone: 54% (5.0ha) Mixed Use Zone: 46% (4.2ha)
Employment % of Port Phillip	4%
Employment Breakdown (2016) and trend (2011 to 2016 change)	Office: 38% (-7%) Institutional: 30% (+5%) Industrial: 13% (+1%) Retail: 12% (+1%) Other: 7% (0%)
Main Employment Floorspace Categories	Commercial: 40,000sqm Retail: 13,000sqm

Source: Urban Enterprise, based on City of Port Phillip Property Database and ABS Census 2016.

MARKET CONDITIONS AND VIEWS OF CONSULTEES

- Since 2016, several large scale redevelopments have occurred in the MUZ and C1Z which primarily comprise apartments. 741 apartments were completed in St Kilda in the MUZ between 2016 and 2020 (Urban Development Program).
- The value of building approvals in the suburb of St Kilda since 2016 has been heavily weighted towards residential development – 93% of the value of building work approved in residential, commercial or industrial was for residential work, with just 7% commercial (ABS, 2016 – 2021).
- Over the period 2019 to 2021, the St Kilda Central SA2 experienced a net reduction in registered businesses (ABS), consistent with the high observed vacancies in the St Kilda Road South area and the broader economic challenges faced in parts of St Kilda, some of which have endured since well before the COVID pandemic.
- Office space in this precinct is observed to be mainly of secondary quality. This type of stock is in lower demand post-pandemic compared with prime space, partly attributable to the 'flight to quality' observed as businesses seek to improve their premises and associated facilities to encourage employees to return to the office.
- Business consultees identified that St Kilda Road overall is generally not a desirable location for small businesses to locate given their typical preference for higher amenity mixed use environments. Common themes emerging from consultation regarding the St Kilda area overall were the challenging economic conditions within the Fitzroy Street and Acland Street Activity Centres, relative unaffordability of commercial premises in these locations, and the need for activity centre cores to have a greater mix of employment types, including office space.

GROWTH AND CAPACITY

Table 27 summarises employment floorspace projections and capacity relevant to St Kilda Road South, being the St Kilda SA2.

There is a projected need for an additional 87,000sqm of additional retail and commercial floorspace in the St Kilda SA2 by 2040, compared with an estimated capacity of St Kilda Road South and the St Kilda activity centres (Acland Street, Fitzroy Street and Inkerman/Grey Street NAC) to accommodate 328,000sqm of gross floorspace, up to 74,000sqm of which is likely to comprise employment floorspace. This excludes the further capacity available within the Balaclava Activity Centre which is primarily located in the St Kilda East SA2 (up to 21,000sqm employment floorspace).

T27. FLOORSPACE DEMAND AND CAPACITY

Area	Floorspace Demand Total (sqm)	Net Additional Floorspace capacity (sqm)	Potential Employment Floorspace (sqm)
St Kilda	87,000	328,000	74,000

Source: Urban Enterprise. Note: Floorspace Demand Total relates to Retail, Commercial and Institutional combined.

DRIVERS OF FUTURE CHANGE

- Ongoing residential development at medium and higher densities is planned in St Kilda, including along St Kilda Road South. There are 1,584 dwellings in major redevelopment projects currently proposed (UDP, 2021). Population growth in the catchment will generate demand for additional retail and services space in the activity centres. Attraction of more residents to the area is likely to increase demand for local business creation and small office spaces within the suburb and surrounding areas.
- St Kilda Road carries more than 30,000 vehicles per day through this section of St Kilda (VicRoads) – this level of access and exposure to passing traffic will support the ongoing attractiveness of the corridor to businesses which see this as an advantage, especially showrooms, specialist retailers and commercial recreation businesses. The large quantum of commercial zoning and floorspace with few anchors and relatively poor amenity could lead to low investment and employment growth in office, personal services and core retail businesses which generally prefer activity centre locations.

- Post-COVID, business demand for office space has generally shifted further towards locations with high amenity, hospitality options and a diversity of land uses. The harsh traffic and streetscape environment and linear zoning along St Kilda Road is not well aligned with this trend, indicating that office-based business attraction may be challenging in this precinct.

KEY ISSUES AND IMPLICATIONS

- High vacancies and a lack of precinct-based amenity in St Kilda Road South could present challenges to business attraction and commercial investment.
- The availability of lower rent space for emerging retailers, larger format retailers, newer businesses and creative industries is an important element supporting economic development.
- The large supply of traditional main street linear employment zoning and premises throughout St Kilda limits the differentiation of precincts and makes defining the employment role of St Kilda Road South difficult.
- There is no need to increase the employment capacity of land in the St Kilda Road South precinct.

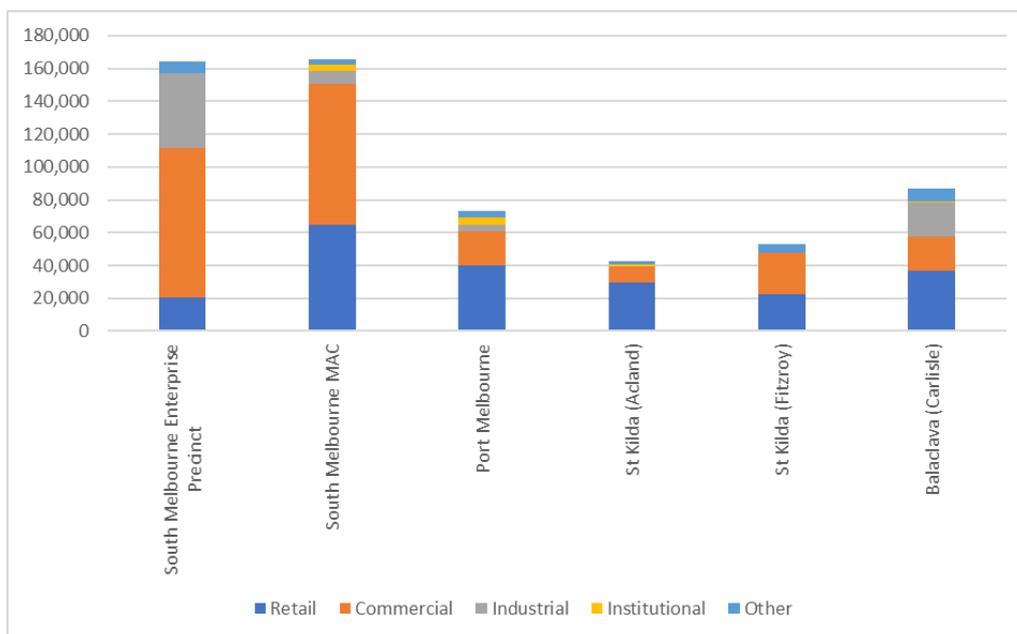
8.4. MAJOR ACTIVITY CENTRES

Figure 46 shows the floorspace mix of Major Activity Centres, along with the South Melbourne Enterprise Precinct, the role of which is intrinsically linked with the South Melbourne MAC.

The figure shows that the South Melbourne MAC has the greatest employment floorspace of all MACs, and that when combined with the South Melbourne Enterprise Precinct, this area comprises a substantial proportion of the employment floorspace in Port Phillip (330,000sqm).

Employment zones in St Kilda’s two MACs (St Kilda, which includes the two sections of Fitzroy Street and Acland Street) and Balaclava (Carlisle Street) provide more than 180,000sqm of employment floorspace combined.

F46. EXISTING EMPLOYMENT FLOORSPACE IN ACTIVITY CENTRES



Source: Urban Enterprise, based on City of Port Phillip Property Database, 2020.

8.4.1. SOUTH MELBOURNE MAJOR ACTIVITY CENTRE AND ENTERPRISE PRECINCT

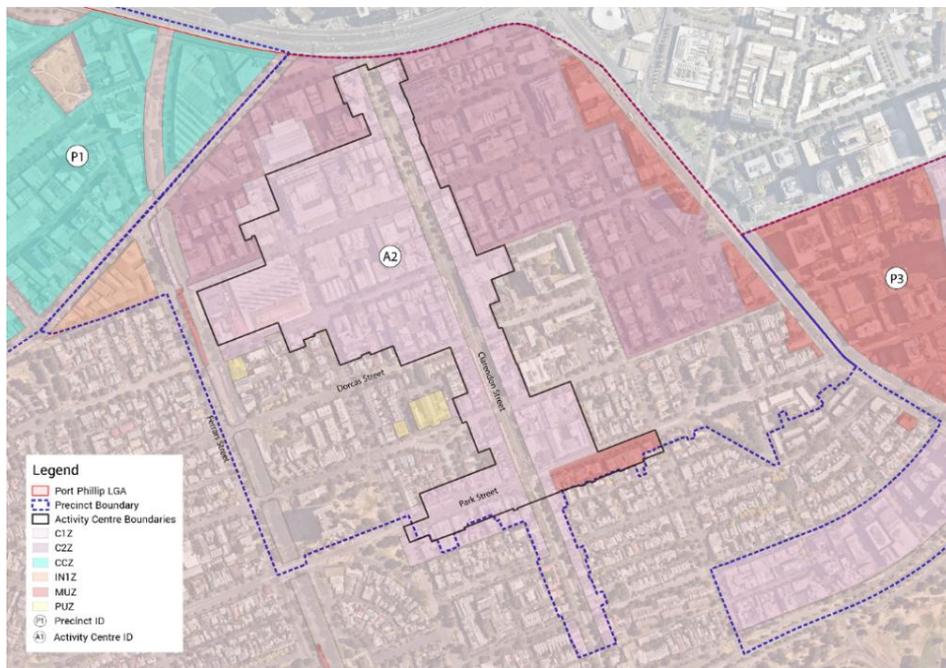
ZONING, LAND USE AND BUSINESS MIX

Figure 47 shows the zoning profile of South Melbourne and Table 28 summarises the key policy, land use and economic attributes of the area. This includes both the South Melbourne Major Activity Centre and the broader South Melbourne Enterprise Precinct (C2Z) and small section of Industrial 1 Zone.

Key observations are as follows:

- The precinct is comprised of the Major Activity Centre (C1Z) and an employment area (C2Z), along with small peripheral sections of MUZ (Park Street and Kings Way) and IN1Z (City Road).
- The Commercial 2 Zone in South Melbourne is the only such zoning in the municipality. This area has an industrial history, provides a wide range of industrial and office premises and accommodates a high concentration of creative sector businesses (especially in advertising and video and music recording and production). The area also supports a strong cluster of specialised hospitality and interior design / appliance retailers.
- The South Melbourne Market is a major retail destination which contributes to the amenity and vibrancy of the area. Hospitality, professional and creative businesses are intensifying around the market.
- The activity centre performs an important convenience retail role for the suburb and surrounding areas, including Southbank and to a lesser extent Albert Park and Middle Park.
- Retail businesses primarily include retail services, cafés and boutique clothing retailers within small shop fronts on Clarendon Street and the internal street network. The food retail role is anchored by two full-line supermarkets (Coles and Woolworths).
- Co-working spaces are common, especially in new office buildings. Overall, smaller professional firms dominate the business landscape.
- South Melbourne accommodates a cluster of architecture, interior design and other built environment firms, as well as a substantial concentration of advertising and media companies. South Melbourne had the highest concentration of motion picture and video production businesses of any suburb in Melbourne in 2018, many of which occupy former industrial spaces.
- The C2Z accommodates a range of businesses in both industrial and commercial premises. Retail, office and studios are the most common uses – many former industrial premises have been converted for use as offices, showrooms and/or studios for media production and other creative industries.
- South Melbourne accommodates a cluster of 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 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.

F47. ZONING PROFILE – SOUTH MELBOURNE



Source: Urban Enterprise.

T28. KEY INDICATORS – SOUTH MELBOURNE MAC AND ENTERPRISE PRECINCT

Indicator	Result
State government categorisation	Regionally significant commercial
Employment land area	27.49ha
Employment Land Breakdown	Commercial 1 Zone: 49% (13.6ha) Commercial 2 Zone: 40% (11ha) Mixed Use Zone: 7% (2ha) Industrial 1 Zone: 3% (0.8ha)
Employment % of Port Phillip	12%
Employment Breakdown (2016) and trend (2011 to 2016 change)	Commercial: 47% (-1%) Retail: 21% (+3%) Industrial: 18% (-2%) Other: 7% (0%) institutional: 6% (+1%)
Main employment floorspace categories	Commercial: 177,000sqm Retail: 85,000sqm Industrial: 53,000sqm

Source: Urban Enterprise, based on City of Port Phillip Property Database and ABS Census 2016.

Table 29 summarises floorspace by land use, zone and precinct. Both the MAC and the balance of the precinct have approximately 165,000sqm of employment floorspace, with retail and commercial uses predominant in the MAC (primarily Commercial 1 Zone) and commercial and industrial premises prominent in the balance of the precinct (predominantly in the Commercial 2 Zone).

T29. FLOORSPACE (SQM) BY LAND USE AND ZONE, SOUTH MELBOURNE

Land Use	Major Activity Centre				Balance				
	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
Commercial	69,000	14,000	3,000	86,000	4,900	64,600	14,300	7,500	91,300
Industrial	5,000	3,000	0	8,000	1,700	38,300	2,700	2,600	45,300
Institutional	3,000	0	0	3,000	600	0	0	300	900
Other	4,000	0	0	4,000	0	6,400	500	0	6,900
Total	144,000	18,000	4,000	166,000	14,700	119,700	19,300	11,300	165,000

Source: Urban Enterprise, based on Council Rates Database.

MARKET CONDITIONS AND VIEWS OF CONSULTEES³⁰

- South Melbourne is experiencing high levels of demand and development interest in office development, resulting in major increases to the local floorspace stock and employment base. Approximately 70,000sqm of additional office floorspace has been delivered since 2020 or is currently in planning.
- Co-working and smaller working spaces are particularly popular in the area, however office rents have increased strongly and are now approaching those of major inner city precincts such as St Kilda Road and Southbank.
- The attractiveness of the precinct to both businesses and visitors is expected to increase strongly over time, in part due to the attractive low-rise mixed use environment and heritage character which agents and businesses say creates an advantageous point of difference to other higher density precincts.
- Increasing rents and redevelopment of sites in the Commercial 2 Zone for new office space is progressively reducing opportunities for creative businesses to make use of industrial spaces. According to consultation with creative business representatives, many creative businesses now look to other precincts such as Collingwood, Abbotsford or Brunswick for suitable and affordable space. This is a key economic challenge for Council and is likely to result in a changing employment role for South Melbourne over the planning period.
- Business consultees noted the locational advantages for businesses, especially access to the city and the South Melbourne Market, and the improved access that will come through proposed tram diversions from St Kilda Road. Consultees indicated that there is now a lack of readily developable land and that hospitality, professional and creative businesses will need smaller business premises as well as the larger office developments which are currently being delivered.

³⁰ Based on South Melbourne Economic, Employment and Land Use Study, Urban Enterprise, 2022.

GROWTH AND CAPACITY

Table 30 summarises employment floorspace projections and capacity relevant to South Melbourne.

There is a projected need for an additional 264,000sqm of additional retail and commercial floorspace in the South Melbourne SA2 by 2040 – this area includes the South Melbourne MAC, South Melbourne Enterprise Precinct, Domain and Albert Road areas.

The capacity of South Melbourne to accommodate additional employment floorspace is estimated at up to 279,000sqm, excluding Albert Road and Domain which are included in the St Kilda Road capacity area and have additional capacity.

T30. FLOORSPACE DEMAND AND CAPACITY, SOUTH MELBOURNE

Area	Floorspace Demand Total (sqm)	Net Additional Floorspace capacity (sqm)	Potential Employment Floorspace (sqm)
South Melbourne	264,000	419,000	279,000

Source: Urban Enterprise. Note: Floorspace Demand Total relates to Retail, Commercial and Institutional combined. Further analysis of local demand and capacity information will inform local planning work for this area in the future.

The Commercial 2 Zone provides the greatest opportunity for additional floorspace in South Melbourne – this area can accommodate an estimated 239,000sqm of additional commercial floorspace through replacement of existing low-rise commercial and industrial buildings with medium-rise commercial buildings within height limits which typically range from 4 to 6 storeys.

DRIVERS OF FUTURE CHANGE

- Major residential development is projected to the north, east and north-west, with the South Melbourne Major Activity Centre almost surrounded by urban renewal areas including Fishermans Bend, Domain and Southbank. The immediate catchment for retail encompasses South Melbourne, Domain, Albert Park, Middle Park, St Kilda Road and Southbank and is projected to experience an additional 30,000 residents over the period to 2041, generating substantial new demand for retail and hospitality in the area.
- The proposed ANZAC Station will be within walking distance of the eastern part of the area, supporting an intensification of the employment role over time. Although Kings Way will be a substantial barrier to movement between the new station and South Melbourne, opportunities to increase employment floorspace within walking distance of the station should nonetheless be explored.
- The incremental redevelopment of land in nearby Fishermans Bend, especially the Montague Precinct, has the potential to diminish the overall number of businesses involved in creative and media-related activities, many of which occupy former industrial premises. Fishermans Bend will also compete with South Melbourne for investment in the development of new employment premises.

KEY ISSUES AND IMPLICATIONS

- The unique attributes including mid-rise building scale, heritage values and land use mix of South Melbourne underpin its popularity for hospitality and commercial businesses. These should be protected.
- There is strong demand for office space which needs to be considered alongside the significant cluster of creative, media and design-related businesses. As the only substantial area of employment-only zoning in the municipality, the ongoing business role of the Enterprise Precinct is of high economic importance to the City and should be protected and enhanced.
- Strong population growth in surrounding areas (especially Southbank and Domain) means that the retail and services role of South Melbourne will need to increase over time. Given the lack of available land in the Commercial 1 Zone and the strong competition for land uses, extension of the MAC should be investigated.
- Strategic planning should respond to economic opportunities associated with ANZAC Station, especially by seeking to facilitate employment intensification within the walkable catchment of the station. This should

involve the preparation of an ANZAC Station Precinct Plan which considers the optimal mix of land uses which can capitalise on the access and business agglomeration benefits of the Melbourne Metro project.

8.4.2. PORT MELBOURNE

ZONING, LAND USE AND BUSINESS MIX

Figure 48 shows the zoning profile of Port Melbourne and Table 31 summarises the key policy, land use and economic attributes of the area. The Bay Street Major Activity Centre is located within the Port Melbourne area.

The following observations are made:

- The Port Melbourne MAC, based around Bay Street, is a popular and vibrant strip-based shopping and hospitality centre. Land in the Commercial 1 Zone accommodates a variety of retailers, with a high concentration of food catering businesses such as cafes, pubs and take away food premises.
- A full line supermarket (Coles) is complemented by a specialised grocer and a smaller IGA to provide an important grocery retail offer to the surrounding catchment which includes Albert Park and Middle Park.
- With 40,000sqm of retail floorspace, the retail offer is substantial and extends from the foreshore to Raglan Street, more than 1km in length.
- The economic role is mostly limited to retail, hospitality, services and ancillary commercial office with a focus on serving the residential catchment and visitors to the centre and beach for recreation and hospitality.
- The Mixed Use Zone accommodates a significant quantum of office floorspace (just over 10,000sqm) including premises at ground and upper levels. Multi-level developments in the MUZ have commonly provided retail and office space at lower levels, contributing to the extension of the commercial role of Bay Street to the foreshore and an overall expansion of the economic role of the activity centre.
- There is a substantial presence of population services businesses such as allied health, barbers, salons, massage and beauty businesses.
- Small sections of land in the Mixed Use Zone and Industrial 1 Zone are located to the north of the MAC fronting Williamstown Road. These areas primarily accommodate light industrial businesses, office space and some dwellings.
- The Comprehensive Development Zone applies to the Beacon Cove waterfront, including the areas at the entrances to Station Pier and Princes Pier. The area accommodates medium and high density residential development, along with hospitality and limited recreation and retail uses.

F48. ZONING PROFILE – PORT MELBOURNE



Source: Urban Enterprise.

T31. KEY INDICATORS – PORT MELBOURNE

Indicator	Result
State government categorisation	Regionally significant commercial
Employment land area	20.49ha
Employment Land Breakdown	Mixed Use Zone: 71% (14.5ha) Commercial 1 Zone: 24% (4.9ha) Comprehensive Development Zone: 3% (0.6ha) Industrial 1 Zone: 2% (0.4ha)
Employment % of Port Phillip	5%
Employment Breakdown (2016) and trend (2011 to 2016 change)	Office: 27% (-10%) Industrial: 25% (+3%) Retail: 24% (+3%) Health and education: 14% (+3%) Other: 10% (+1%)

Source: Urban Enterprise, based on City of Port Phillip Property Database and ABS Census 2016.

Table 32 shows a floorspace profile of the Bay Street Major Activity Centre, which has approximately 74,000sqm of employment floorspace across the Commercial 1 and Mixed Use Zones. Retail space comprises just over half of the floorspace, followed by commercial.

T32. FLOORSPACE (SQM) BY LAND USE AND ZONE, BAY STREET ACTIVITY CENTRE

Land Use	Commercial 1 Zone	Mixed Use Zone	Total (sqm)
Retail	24,600	15,500	40,100
Commercial	9,900	11,000	20,900
Industrial	400	3,300	3,700
Institutional	1,500	3,000	4,500
Other	0	4,300	4,300
Total	36,500	37,100	73,600

Source: Council Rates Database.

MARKET CONDITIONS, GROWTH AND CAPACITY

- Development (primarily within the Mixed Use Zone) has substantially increased the local population from approximately 11,000 in 2001 to 18,000 in 2020 (Forecast ID).
- The suburb experienced 6% of the overall value of building approvals in Port Phillip over the 5 years to 2021, almost all of which has been residential approvals. Commercial development has been limited in recent years.
- The Bay Street Activity Centre currently has very low vacancy levels based on site inspections.
- Between 2019 and 2021, the Port Melbourne SA2 experienced an increase of 57 businesses (ABS). The industries with the greatest increase in businesses over this period were Accommodation and Food Services, Administrative and Support Services, Rental, Hiring and Real Estate and Arts and Recreation Services.

Table 33 summarises employment floorspace projections and capacity relevant to Port Melbourne. There is a projected need for an additional 24,000sqm of additional retail and commercial floorspace in the Port Melbourne SA2 by 2040. The capacity of activity centres in Port Melbourne to accommodate additional employment floorspace is estimated at up to 13,000sqm, indicating that other areas in Port Melbourne (such as around Station Pier) could be planned to accommodate employment floorspace, especially tourism and hospitality related.

T33. FLOORSPACE DEMAND AND CAPACITY, PORT MELBOURNE

Area	Floorspace Demand Total (sqm)	Net Additional Floorspace capacity (sqm)	Potential Employment Floorspace (sqm)
Port Melbourne	24,000	86,000	13,000

Source: Urban Enterprise. Note: Floorspace Demand Total relates to Retail, Commercial and Institutional combined. Capacity relates to activity centres only.

DRIVERS OF FUTURE CHANGE

- Projected population growth in established areas within the catchment is limited: the combined Port Melbourne, Albert Park and Middle Park catchment is expected to accommodate less than 700 additional residents by 2041 (Forecast ID).
- Major investment, population growth and business opportunities will be available over a long period in the neighbouring Fishermans Bend Urban Renewal Area. This will create a substantially larger labour force and demand base than currently exists for retail and hospitality businesses. As the closest beach with a prominent hospitality offering, Port Melbourne has the opportunity to strengthen and expand its existing retail, hospitality, personal services and commercial recreational offer over time, however potential new large core retail stores in Fishermans Bend are likely to place strong competitive pressure on the core retail role of Bay Street. This will require a strong focus on place brand, competitive advantages and differentiation of the Bay Street offer as part of council planning, economic development and investment initiatives for the centre.
- Alongside identifying suitable locations to increase the floorspace available to businesses, proximity to Station Pier is a strategic opportunity that should be considered as part of future structure planning for the activity centre, noting that the relocation of the Spirit of Tasmania to Geelong will limit passenger movements to primarily international cruise ships, a market that is yet to return to pre-pandemic activity levels.

KEY ISSUES AND IMPLICATIONS

- Proximity to Fishermans Bend will provide both a new residential catchment for specialised retail and hospitality as well as increased core retail competition.
- Employment land is well occupied with limited opportunities for more intensive development and very low observed shopfront vacancies. Council should monitor employment growth and commercial property conditions to inform future planning for Bay Street, having regard to impacts of Fishermans Bend.
- The immediate catchment is expected to experience limited population growth over the planning period which may present challenges to existing goods retailers faced with strong physical and online competition. The centre has a relatively limited economic role beyond retail and hospitality. Given shifts towards home-

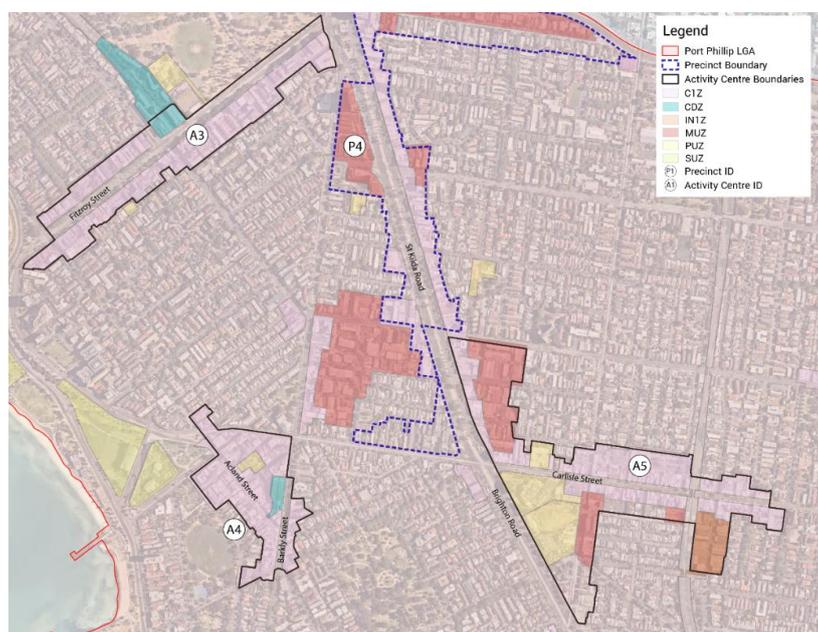
based working and the challenges facing traditional retailers, future planning should consider opportunities to diversify the economic role of the centre to accommodate greater local employment.

8.4.3. ST KILDA AND CARLISLE STREET (BALACLAVA)

ZONING, LAND USE AND BUSINESS MIX

Figure 49 shows the zoning profile of the St Kilda and Balaclava Major Activity Centres. Table 34 summarises the key policy, land use and economic attributes of the area.

F49. ZONING PROFILE – ST KILDA MAC AND BALACLAVA MAC



Source: Urban Enterprise.

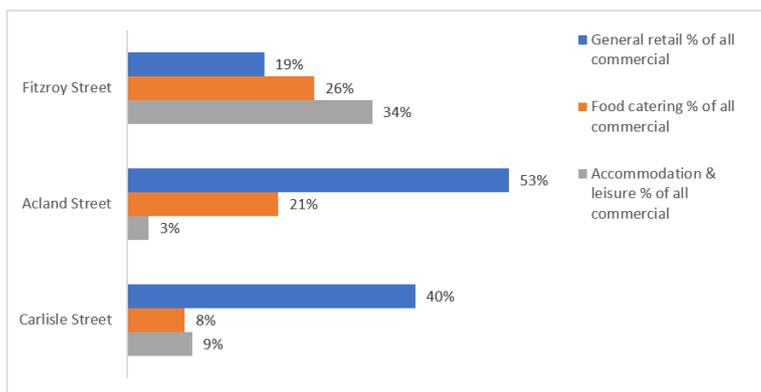
T34. KEY INDICATORS – ST KILDA MAC AND BALACLAVA MAC

Indicator	Result
State government categorisation	Regionally significant commercial (Both St Kilda AC and Carlisle Street AC)
Employment land area	38.1ha
Employment Land Breakdown	Commercial 1 Zone: 55% (21.1ha) Mixed Use Zone: 20% (7.5ha)
Employment % of Port Phillip	9%
Employment Breakdown (2016) and trend (2011 to 2016 change)	Commercial: 33% (-3%) Retail: 32% (+1%) Institutional: 13% (+1%) Industrial: 11% (0%) Other: 9% (-1%)
Main employment floorspace categories	Retail: 88,000sqm Commercial: 56,000sqm

Source: Urban Enterprise, based on City of Port Phillip Property Database and ABS Census 2016.

While this area includes two Major Activity Centres (St Kilda and Balaclava), the area is defined by three distinctive activity areas which differ in terms of their role and economy. Figure 50 summarises the key land use and floorspace mix differences of each area. The land use mix in Fitzroy Street is strongly weighted towards accommodation, leisure and food catering uses, while Acland Street and Carlisle Street are more 'typical' activity centres with general retail floorspace the most common use.

F50. LAND USE MIX, FITZROY STREET, ACLAND STREET, CARLISLE STREET



Source: Urban Enterprise, based on Council Property Data.

The following summarises the existing role and performance of these centres³¹:

- Fitzroy Street is particularly reliant on visitation from beyond the local area, especially to hospitality, entertainment and accommodation businesses. The overall performance of the centre has declined noticeably over the past 10 years, first as consumer entertainment preferences evolved, and subsequently due to COVID pandemic impacts (which have had greater impact on Fitzroy Street than other activity areas).
- Acland Street has benefited from a diverse range of retail and hospitality services targeted to local residents and is performing well with the exception of COVID impacts. The land use mix, target market and economic performance of Acland Street is very different to that of Fitzroy Street.
- Overall, St Kilda’s economy has traditionally derived its economic strength and role from various drivers of visitation, including those attracted to night-life and hospitality, events (especially St Kilda Festival and St Kilda Film Festival), major attractions (Luna Park, Palais Theatre), and St Kilda Beach and foreshore. COVID pandemic impacts have been substantial across all of these, contributing to the economic challenges already experienced pre-pandemic in the Fitzroy Street centre.
- Carlisle Street is physically separated from the other areas by the Nepean Highway and is undergoing transition away from traditional goods retailing towards food retail. The catchment profile here is more varied, however local employment and residential demand will support ongoing day-time activity.
- Acland Street and Carlisle Street each accommodate a full-line supermarket, along with smaller supermarkets including Aldi (Inkerman Street), Woolworths Metro (Fitzroy Street) and Coles Local (Acland Street). Full line supermarkets in St Kilda serve surrounding areas which do not have local access to full-line supermarkets, including Elwood, St Kilda East and Ripponlea.
- Businesses located in St Kilda are weighted towards food and nightlife, including restaurants, bars, and takeaway businesses. This includes clusters of high quality restaurant and bars with high levels of recent investment, while a number of lower quality take-away stores still remain.
- The food and nightlife are supported by hotels, short-stay apartments and backpacker businesses providing accommodation for visitors to the precinct.

³¹ Based primarily on findings of the St Kilda Current State Assessment, Urban Enterprise, 2021.

- The St Kilda and Balaclava areas accommodated approximately 9% of the municipality's employment in 2016, a relatively low proportion given the spatial breadth of the area and the presence of some of Port Phillip's most important tourism and hospitality attractions and precincts.
- Across the three MACs there is more than 88,000sqm of retail floorspace. This is a substantial quantum relative to the local population and reflects the reliance on ongoing visitation to the centres (especially Fitzroy Street) to support the scale and type of businesses currently operating.

MARKET CONDITIONS AND VIEWS OF CONSULTEES

- St Kilda has experienced substantial population growth over the past 10 years, with an additional 9,030 residents located in the St Kilda and St Kilda East areas from 2010 – 2020 (ABS). Between 2016 and 2020, St Kilda accommodated 29% of all dwellings approved in Port Phillip in major residential developments. Ongoing residential apartment development is expected.
- Substantial investment has been made in cultural and visitor facilities, notably the Victorian Pride Centre, Junction Oval (as the new base for Cricket Victoria) and major apartment and hotel developments which are targeted at the luxury market, notably the Saint Moritz apartment development on the Esplanade.
- There is emerging demand for health, lifestyle, personal services and fresh food, especially in Acland Street and Carlisle Street, which aligns with St Kilda's advantages in terms of access to open space and recreation (such as the beach, foreshore and Albert Park).
- During the pandemic, tourism visitation declined dramatically - international visitation is not expected to return to 'normal' levels until 2024. This will create ongoing economic challenges for businesses in St Kilda which rely on visitation.
- Business consultees identified the significant economic challenges faced by St Kilda, especially Fitzroy Street, an obvious symptom of which is high shopfront vacancies. Consultees generally supported economic recovery and revitalisation through facilitating a greater diversity of land uses (especially encouraging office employment), reducing the reliance on tourism, addressing perceived poor commercial rental affordability and addressing anti-social behaviour and cleanliness issues.
- Business consultees noted that each centre in St Kilda has unique attributes that can be leveraged to support local and regional visitation, including the live music culture of Fitzroy Street and tourism and recreation near Acland Street.

GROWTH AND CAPACITY

Table 35 summarises employment floorspace projections and capacity relevant to St Kilda's activity centres.

There is a projected need for an additional 87,000sqm of additional retail and commercial floorspace in the St Kilda SA2 by 2040, compared with an estimated capacity of St Kilda Road South and the St Kilda activity centres (Acland Street, Fitzroy Street and Inkerman/Grey Street NAC) to accommodate 328,000sqm, up to 74,000sqm of which may ultimately comprise employment floorspace. This excludes the further capacity available within the Balaclava Activity Centre which is primarily located in the St Kilda East SA2 (up to 21,000sqm employment floorspace).

T35. FLOORSPACE DEMAND AND CAPACITY, ST KILDA

Area	Floorspace Demand Total (sqm)	Net Additional Floorspace capacity (sqm)	Potential Employment Floorspace (sqm)
St Kilda	87,000sqm	328,000sqm	74,000sqm

Source: Urban Enterprise. Note: Floorspace Demand Total relates to Retail, Commercial and Institutional combined.

The following issues are relevant to growth and capacity in St Kilda:

- An estimated 26,000sqm of additional retail floorspace is required based on employment projections, however at present there are high shopfront vacancies in parts of St Kilda which can be occupied by smaller businesses before substantial increases will be required. The floorspace projections take into account the historical importance of the St Kilda area to Port Phillip's employment role and projections for ongoing population growth which will drive demand for local retail and hospitality businesses. Challenges faced by retail businesses overall and the St Kilda economy overall may limit the extent to which demand for this level of floorspace materialises.
- The Fitzroy Street MAC has the greatest capacity of activity centres in St Kilda to accommodate additional floorspace (95,000sqm), while St Kilda Road South also has substantial additional capacity (159,000sqm). The preferred mix of land uses across the various activity centres and employment precincts in St Kilda and the best locations to accommodate retail and commercial demand should be a key focus of future planning for these areas.

DRIVERS OF FUTURE CHANGE

- Ongoing residential development at medium and higher densities is planned in St Kilda – there are 1,584 dwellings in major redevelopment projects currently proposed (UDP, 2021). Population growth in the catchment will generate demand for retail and services space in the activity centres and support recovery and growth of business types meeting population needs.
- Other than local government and private sector investment in key projects such as the St Kilda Marina and tourism accommodation / apartments, there are no broader changes or investments proposed in the St Kilda area which could materially change the accessibility or attractiveness of the area to drive employment or business growth.
- The area is highly exposed to the impacts of the COVID pandemic due to the economic specialisations in tourism, events, music and hospitality. When these circumstances are combined with the long term weakening of the competitive position of the Fitzroy Street entertainment role and challenging economic conditions for traditional goods retailers, revitalisation and diversification of land uses will be needed.

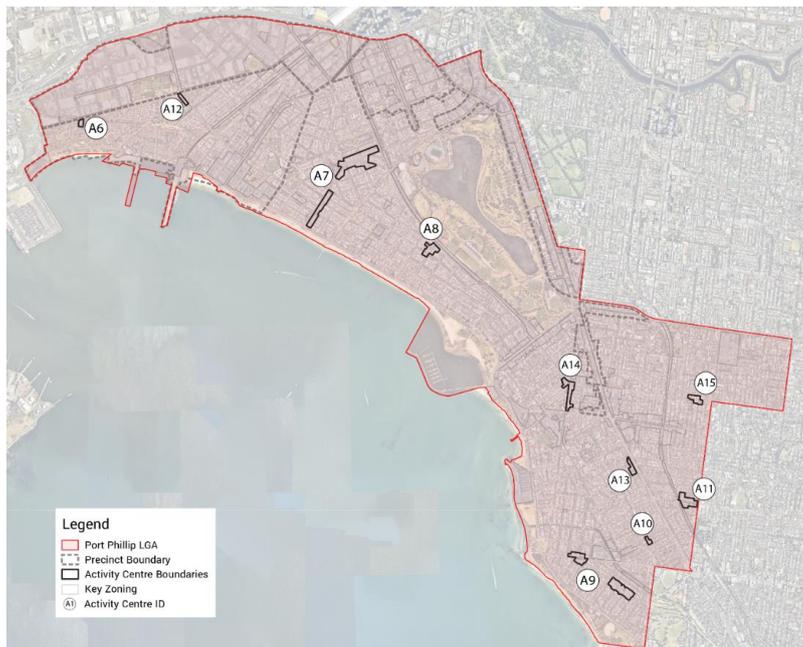
KEY ISSUES AND IMPLICATIONS

- Economic performance of centres and businesses in St Kilda and Balaclava is mixed and there is a substantial quantum of retail space which requires ongoing visitation to sustain. Although regional visitation will be critical to ongoing performance (especially to events, live music and recreation), revitalisation will require greater diversification of land uses and employment types, especially in Fitzroy Street.
- High levels of vacancies and poor economic performance of Fitzroy Street remains an economic weakness, requiring reconsideration of the role and function of this sub-precinct.
- The St Kilda area continues to prove popular to apartment buyers. Ongoing population growth in catchment will require a greater focus on convenience retail and population services over time, especially considering post-pandemic changes to movement and the likelihood of residents spending more time in local neighbourhoods.
- The respective roles of each of the activity areas within St Kilda require clearer articulation and associated planning policy development. An overall increase in employment land is unlikely to be required in the medium term, however opportunities for development and land use transition within existing centres will be important, as well as opportunities to accommodate retail sector growth in locations convenient to concentrations of new residential development.

8.5. NEIGHBOURHOOD AND LOCAL CENTRES

In addition to the Major Activity Centres and employment precincts, Port Phillip contains 10 smaller Neighbourhood Activity Centres and local centres - locations are shown in Figure 51. Figure 52 shows the relative scales and compositions of floorspace across the centres.

F51. LOCATION OF NEIGHBOURHOOD AND LOCAL CENTRES



Source: Urban Enterprise.

F52. FLOORSPACE BY MAIN LAND USE / PREMISE TYPE, NEIGHBOURHOOD AND LOCAL CENTRES



Source: Urban Enterprise; City of Port Phillip property database.

CENTRE OBSERVATIONS

Site visits to each centre resulted in the following observations of business mix, vacancy and role:

- **Centre Avenue Port Melbourne** – this local centre accommodates only 800sqm of floorspace. The business mix mainly includes a pharmacy, newsagency, bottle shop, post office, take away food and a café. The role of this centre is convenience retail and services for a localised catchment.
- **Bridport Street / Victoria Avenue:**
 - This centre has clearly the largest floorspace of any centre defined as a Neighbourhood Centre or below, with a total of 37,000sqm. For comparison, Bay Street Port Melbourne has approximately 66,000sqm of retail and commercial space and is defined as a Major Activity Centre.
 - The centre accommodates a substantial hospitality base, retail services (especially personal services such as hairdressers and beauty services) and a large concentration of boutique clothing and products retailers and national brand fashion retailers. The retail role includes a small Foodworks supermarket and a recently opened Woolworths Metro (small supermarket) but no other retail anchors.
 - Heritage buildings, public transport access and high public realm amenity underpin a strong trading environment, with no shopfront vacancies observed despite the close proximity to the ‘competing’ South Melbourne Major Activity Centre.
 - The centre has the greatest commercial floorspace of any neighbourhood centre, which mainly focuses on health businesses and professional services.
- **Armstrong Street, Middle Park** – this local centre is performing strongly based on observed visitation, quality of premises and absence of vacancies. The centre primarily serves the immediate residential community in Middle Park, however many professional and hospitality businesses will also serve a broader catchment. The business mix includes a pub, small independent supermarket, cafes and restaurants, take away food, and several ‘creative’ businesses including an architect, videographer and art gallery. Several businesses occupy former dwellings not on main streets.
- **Ormond and Glenhuntly Road, Elwood:**
 - This strongly performing retail village has two distinct sections of commercial zoning and is very well occupied by a mix of retailers, hospitality businesses, small offices and health and medical services (general practice, dentists and skin care).
 - A high quality streetscape and proximity to the nearby Elwood College underpins strong observed visitation, walking and outdoor dining throughout the centre.
 - Although projected population growth in Elwood is low (less than a 2% increase projected over the next 20 years), incremental low-rise infill development over recent years within and around the activity centre has contributed to reinvestment in the area, creation of new business premises within mixed use buildings and the attraction of new residents and businesses.
 - Very low shopfront vacancies and absorption of recently developed commercial floorspace indicates strong demand for retail and commercial space in the centre.
- **Tennyson Street** – a small local centre based around a small independent supermarket, premises have had little recent investment and the overall number of businesses is limited to a bakery, café, pharmacy, take away food and some personal services. Despite the relatively low quality of premises, very low vacancy was observed.
- **Glen Eira Road, Ripponlea** – the Ripponlea Village is strategically located adjacent to the Ripponlea Train Station and has a total floorspace of 9,500sqm (commercial and retail). The most prominent role is of restaurants, bars and takeaway food with low incidence of employment / professional focussed businesses. The retail role is primarily limited to retail services and two small independent supermarkets, one of which has been recently established within a mixed use development. Higher quality premises with recent investment include fashion, homewares and jewellery.
- **Graham Street, Port Melbourne** – this local centre accommodates large format premises with the majority of floorspace classified as ‘industrial’ despite being zoned Commercial 1. Businesses include fabric suppliers, auto servicing, barbeque sales, security systems and commercial recreation facilities.

- **Brighton Road, Elwood** – A local commercial centre fronting the busy Nepean Highway / Brighton Road. The centre accommodates health and wellness businesses, take away food and a small number of offices.
- **Inkerman / Grey Streets, St Kilda** – this is one of the larger neighbourhood centres in terms of retail and commercial floorspace and occupies a position immediately north of the Acland Street section of the St Kilda MAC. Zoning includes both C1Z and MUZ. The Commercial 1 Zone is characterised by older retail and office premises, former dwellings used by small businesses and large format commercial sites including car sales and restricted retail. The MUZ section is characterised by large lots, many of which have been recently developed as mid-rise apartments with ground floor retail / commercial premises. The centre is linear and does not have any retail anchors, meaning that it lacks a clear role and acts as a main road extension of commercial uses between the many major roads in central St Kilda.
- **Inkerman Street, Balaclava** – A small local centre around the Inkerman Hotel and bottle shop, also containing convenience retail, take-away food and automotive services. This is the only local centre in the substantial residential area of St Kilda East / Balaclava between Balaclava Road and Dandenong Road.

COMMENTARY

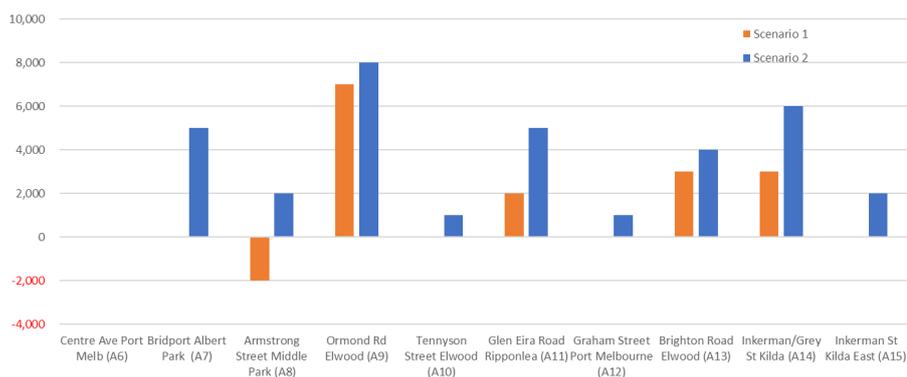
Overall, most local and neighbourhood centres can be described as retail ‘villages’. None of these centres accommodates a full-line supermarket, with many containing small independent supermarkets under the IGA or Foodworks brand. Most centres are occupied by independent retailers and hospitality businesses, especially retail services and cafes.

Collectively these centres accommodate approximately 93,000sqm of retail, commercial and institutional floorspace in employment zones. At typical densities for these premise types of 25 - 30sqm per worker, it is estimated that the smaller centres accommodate approximately 3,000 – 4,000 jobs in the municipality.

In most smaller centres and villages, floorspace occupancy is very high, with businesses extending into former dwellings adjacent to main street commercial premises. Opportunities for new businesses to establish are primarily limited to new space created through mixed use redevelopment – any net increase in business floorspace generally requires the delivery of commercial space at upper levels as well as ground level, a development typology which is uncommon in Port Phillip’s smaller centres at present.

Capacity analysis is summarised in Figure 53, showing that several centres have very limited capacity, such as Centre Avenue and Graham Street in Port Melbourne, Tennyson Street in Elwood, Armstrong Street in Middle Park and Inkerman Street in St Kilda East.

F53. DEVELOPMENT CAPACITY OF NEIGHBOURHOOD AND LOCAL CENTRES



Source: Urban Enterprise.

FUTURE ROLES

Many smaller centres have attributes which support the planning policy aspiration of the 20 minute neighbourhood, especially:

- Local shopping;
- Local public transport;
- Walkability; and
- Green streets and spaces.

As the municipal population and employment increases, local and especially neighbourhood centres will have an important role to play in accommodating employment and small business growth. This is particularly important given the impacts of the COVID pandemic, workers and business owners retaining greater flexibility in location of work, and the increasing desire of smaller and creative businesses to establish in precincts with high amenity and hospitality options. Exposure of traditional retailers to global competition means that strategic planning should encourage and facilitate a range of commercial, retail, hospitality and service types to underpin economic resilience and local level economic interactions.

The following neighbourhood and local centres are well positioned to support a greater scale and diversity of employment land uses over the planning period based on the role of the centres in serving a local spatial catchment consistent with the 20 minute neighbourhood objective, and the existing mix of uses which will be attractive to a range of activity centre land uses including health, retail and commercial:

- Victoria / Bridport NAC, Albert Park.
- Ormond Road NAC, Elwood; and
- Glen Eira Road NAC, Ripponlea.

8.6. LOCAL INDUSTRIAL AREAS

The municipality has three remaining local industrial areas, the characteristics of which are summarised in Table 36. Overall, there is a total of 2.4 hectares of property in these areas. Only 38% of the floorspace is defined as industrial, with the balance of the areas mainly used for commercial or retail purposes.

T36. LOCAL INDUSTRIAL AREA PROFILES

Area	South Melbourne	Port Melbourne	Balaclava	
Zone	IN1Z	IN1Z	IN3Z	
Property area (ha)	0.8	0.4	1.2	
Floorspace (sqm)	Retail	900	0	1,500
	Commercial	7,500	6,800	600
	Industrial	2,600	0	9,000
	Other	300	0	1,300
	Total	11,300	6,800	12,500
Land use profile	<p>Located fronting City Road adjacent to the South Melbourne Enterprise Precinct and MAC.</p> <p>Primarily accommodates offices and larger format retail premises.</p> <p>Some former industrial buildings have been converted to office space and creative studios (e.g., media, sound recording).</p>	<p>A single property fronting Williamstown Road and adjacent both the Fishermans Bend URA and the Port Melbourne Light Rail.</p> <p>Currently accommodates a combination of office space and industrial engineering activities.</p>	<p>Located adjacent Balaclava Train Station and within the Carlisle Street Major Activity Centre.</p> <p>Accommodates a mix of light industrial, warehouse, commercial recreation, office and showroom businesses.</p>	

Source: Urban Enterprise, utilising Port Phillip property database.

In all cases, the remaining local industrial areas are small in area, isolated from other industrial zones and not considered to be strategic land for industrial land uses. On the contrary, these areas generally have locational attributes that provide advantages to more intensive employment uses (such as commercial), given proximity to public transport, activity centres and a substantial and growing skilled workforce.

The protection of these areas for industrial purposes is not considered a priority for the SEEF, however it is noted that the Balaclava industrial precinct does provide a diversity of premise types which benefits the local economy. Consideration of alternative zoning (such as the Commercial 2 Zone) as part of local structure plans or landowner requests is supported in principle from an economic perspective.

9. STRATEGIC DIRECTIONS

9.1. INTRODUCTION

This section sets out the recommended vision, objectives and directions for Port Phillip's spatial economy to 2040.

9.2. VISION

The following vision for Port Phillip's employment land has been developed to facilitate economic prosperity at the local and metropolitan levels, implement State planning policy, and support the delivery of the community vision:

Port Phillip accommodates a diversity of economic activity that is significant to Melbourne and to the local communities which support and benefit from specialised places.

Port Phillip's location advantages will continue to attract both high value businesses and talent (increasingly in knowledge-based services, health and education) as well as demand for housing close to the central city. As employment land continues to transition to higher density and high value uses – continuing a long history of evolution in the municipality – Port Phillip's network of distinctive and vibrant neighbourhoods will enable a diversity of employment locations and premise types to attract businesses and skilled workers which are responding to global economic opportunities.

Well established specialisations and advantages in creative activities, events and hospitality will continue to drive a culture of innovation and creativity and attract visitors and talent.

Local employment land will meet the needs of residents and provide opportunities for employment close to home, responding to the need for sustainable, resilient and liveable communities.

9.3. OBJECTIVES

The objectives of Council to achieve the vision are as follows:

1. Accommodate demand for employment growth in **locations of advantage** due to existing agglomeration, infrastructure and place characteristics.
2. Strategically and proactively **manage transition** of former industrial areas – particularly Fishermans Bend – to ensure that economic opportunities are maximised and consider local specialisations and opportunities.
3. Ensure that **residential land use** complements, rather than displaces, economic activity and employment.
4. Support the recovery, resilience and growth of **specialised sectors** with links to cultural identity, innovation and specialisation, especially cultural and creative activities and events and hospitality.
5. Provide a land use and built form **environment** which attracts and retains a talented professional workforce.
6. Promote opportunities for business and employment growth aligned with health and education **institutions**.
7. Promote the availability of a range of retail, service and employment types in **activity centres and villages**.

9.4. STRATEGIC DIRECTIONS

Five strategic directions have been developed to achieve the vision and objectives as follows:

1. Accommodate and optimise an expanded Central City
2. Support areas of specialisation and innovation
3. Position precincts to reflect changing work practices and attract talent
4. Strengthen and diversify activity centres and key villages
5. Align housing and employment policy

9.4.1. DIRECTION 1: ACCOMMODATE AND OPTIMISE AN EXPANDED CENTRAL CITY

Employment land in the northern parts of Port Phillip in St Kilda Road and Fishermans Bend are identified in policy as forming part of Melbourne’s ‘central city’. This land, along with neighbouring South Melbourne, has an important role to play in accommodating demand for employment which has previously been attracted to the CBD and adjacent areas.

Public transport investment – particularly ANZAC Station – will provide stimulus for further business and employment growth in the St Kilda Road and Domain areas, providing an opportunity for greater intensification of employment and economic benefits of agglomeration in knowledge-based sectors.

Although there is substantial capacity to increase gross floorspace in these areas, current zoning is flexible and there is competition between residential and employment land uses.

Institutional sector demand for floorspace is expected to grow strongly in inner Melbourne, much of which requires office floorspace which is strategically located proximate to institutions such as hospitals and university campuses. Growing demand for health services, incremental expansion of the Alfred Hospital into commercial space along St Kilda Road, and benefits of accommodating a range of supporting land uses within health ‘clusters’ warrants review of the optimal land use mix and zoning in the southern section of St Kilda Road.

Recommendations under this direction are as follows:

- Ensure local policy reflects the State significant commercial roles of St Kilda Road and Fishermans Bend and directs large scale commercial developments to these areas.
- In conjunction with the State government and City of Melbourne, prepare an Economic Development Plan for the ANZAC Station area which identifies economic objectives, optimal land use mix and suitable planning zones within the station’s catchment. The precinct has potential to accommodate a mix of residential, commercial and institutional land uses which will require clearer policy direction and discretion than is currently available to ensure economic opportunities are capitalised on.
- In partnership with Alfred Hospital, City of Melbourne and City of Stonnington, prepare an Economic Development Plan for the Alfred Hospital precinct, identifying long term direct and indirect health sector requirements and optimal land use mix and zoning.
- Advocate for the timely delivery of public transport and public realm infrastructure to and within Fishermans Bend to support employment intensification and growth as part of the expanded central city.
- Distinguish between the roles of the various city edge commercial precincts, including:
 - St Kilda Road North, Domain and Albert Road, which are strategically located to accommodate high density commercial uses, complemented by residential and retail uses.
 - The South Melbourne Enterprise Precinct and the southern part of the Montague Precinct of Fishermans Bend where precinct characteristics support mid-rise commercial land uses, particularly for smaller businesses and creative activities.
 - The Wirraway Precinct of Fishermans Bend, which is planned to accommodate high density commercial offices but will require Precinct Planning to ensure that a variety of employment spaces are available and that the characteristics of the urban environment and land use mix align with contemporary business and employee expectations.

Table 37 shows how this direction aligns with SEEF objectives, State policy aspirations and Council Plan directions.

T37. DIRECTION 1 - ALIGNMENT

SEEF Objective	State Policy	Council Plan
Locations of advantage	Expanded central city ¹	
Manage transition of industrial	Health and education precincts ¹	Vibrant Port Phillip
Residential land use	Increased intensity of employment land ²	

Source: Urban Enterprise. 1. Plan Melbourne. 2. MICLUP.

9.4.2. DIRECTION 2: SUPPORT AREAS OF SPECIALISATION AND INNOVATION

An economic priority for Australia is to increase productivity – this requires policies at all levels which encourage innovation and business creation. Many of Port Phillip’s specialisations are linked to creative pursuits and innovation, attributes which are embedded in the cultural identity of the community.

Spatially, key areas of specialisation and innovation have been identified in South Melbourne and St Kilda, however both of these locations are experiencing challenging economic conditions which, if not addressed, could erode the accumulated economic and social value of these activity concentrations. These include COVID pandemic impacts, incremental and likely future redevelopment of industrial and lower cost business spaces, and competition from emerging creative precincts in other parts of Melbourne.

Although it is inevitable that inner urban areas will be the subject of demand from a range of land uses, retention of a variety of premise types will be important to provide opportunities for innovation and creative activities. This is particularly important in Port Phillip given planning zones across most of the municipality allow and encourage redevelopment of former industrial and lower scale commercial land.

The South Melbourne Enterprise Precinct is a strategic location for ongoing commercial, creative and media activity. State policy support needs to be translated into local policy with associated actions to retain employment land and improve conditions conducive to innovation ecosystem principles. A Structure Plan process is underway.

Creative industries and tourism-related businesses are strongly influenced and supported by the enduring presence of iconic public venues, open spaces and destinations which attract visitors and talent. Council has an important role to play in identifying, protecting and investing in these public facilities to foster complementary economic growth, specialisation and innovation.

Recommendations under this direction are as follows:

- In South Melbourne, finalise the current Structure Plan having regard to:
 - The overarching strategic direction to retain land in the Commercial 2 Zone where not specifically required for alternative employment uses; and
 - The need for local policy to formalise Enterprise Precinct boundaries and policy designation, and to respond to the “Factors Driving Success of Enterprise Precincts”.
- Advocate to the State Government to formalise Enterprise Precincts in planning policy.
- In St Kilda, ensure future planning prioritises support for and growth of businesses and venues associated with music, tourism, events, arts and hospitality, along with other land uses (especially residential and commercial accommodation) which will underpin greater local demand for a broader economic role.
- In St Kilda Road South, retain land in the Commercial 1 Zone to provide secondary employment space while enabling residential intensification. Ensure planning for the St Kilda area differentiates between the roles of each sub-activity centre and St Kilda Road South.
- For locally significant industrial areas, consider the merits of alternative employment zones (such as the Commercial 2 Zone) on a case-by-case basis as part of local structure plans.
- Advocate for State government policy on the incentivisation of affordable workspace.
- Implement Council’s Live Music Action Plan and translate any nominated live music precincts into local planning policy.
- Recognise the high value of the City’s public land, community facilities and institutions³² in supporting the City’s economic specialisations in creative activities and tourism and prepare a co-ordinated strategy to protect, improve and identify business opportunities which complement these assets.
- Prioritise opportunities for new tourism, accommodation and hospitality businesses to capitalise on proximity to strategic tourism assets including Station Pier, St Kilda Triangle and St Kilda Pier. This should

³² Such as Albert Park Lake and surrounds, foreshore areas, Gasworks Art Park, Temperance Hall, Palais Theatre, Linden New Art, St Kilda Pier, Station Pier, etc..

include local planning policy support as well as targeted local tourism plans for these areas and support for development proposals which will support and enhance Port Phillip’s regional and global tourism role.

Table 38 shows how this direction aligns with the SEEF objectives, State policy aspirations and Council Plan.

T38. DIRECTION 2 - ALIGNMENT

SEEF Objective	State Policy	Council Plan
Specialised sectors Talent environment	Enterprise Precincts ¹	Vibrant economy Pandemic recovery

Source: Urban Enterprise. 1. Inner Melbourne Land Use Framework Plan.

9.4.3. DIRECTION 3: POSITION PRECINCTS FOR CHANGING WORK PRACTICES & TO ATTRACT TALENT

Port Phillip has a highly educated labour force and substantial professional business and employment base. This is underpinned by the characteristics of the municipality which attract both residents and workers, especially: proximity to the CBD; rich open space and waterfront assets; built form heritage; extensive hospitality offering and entertainment options.

The majority of projected additional employment floorspace required over the planning period is office space. Business attraction and retention in this sector will depend to a great extent on the ability to attract and retain talent in the context of strong competition from other city fringe locations and changing workplace and precinct amenity expectations. Even prior to the COVID pandemic, professional workers were expressing preferences for mixed use environments with a range of building types and high precinct amenity, especially those with a variety of places for workers and businesses to interact both during and after working hours (such as at bars, restaurants and cafes). Post-pandemic changes to working practices have further highlighted the importance of quality office and mixed use precincts, including the availability of workspaces closer to existing residential areas.

Council’s aim for 10-15 minute neighbourhoods and Plan Melbourne’s policy support for 20 minute neighbourhoods align with the need to provide opportunities for office space in high amenity locations across the municipality. This need is especially important for smaller businesses which are increasingly attracted to the flexibility and convenience of co-working space, serviced offices and other smaller tenancies.

Recommendations under this direction are as follows:

- As part of Precinct Plans for Fishermans Bend, ensure that worker amenity is prioritised and differentiation of roles is achieved between precincts and activity cores.
- In all employment areas and activity centres, encourage (where appropriate) the provision of co-working space and smaller office types to provide suitable premises for smaller businesses and flexible working.
- Plan for an appropriate mix of residential and non-residential space in St Kilda Road North (and the ANZAC Station precinct) to create a vibrant precinct which meets the expectations of the emerging workforce and global talent.
- In future planning exercises for Major Activity Centres and any villages with capacity to accommodate development at upper levels, encourage the provision of additional office space and the development of a high amenity mixed living and working environment. This opportunity primarily applies to Major Activity Centres (all) and villages such as Elwood, Albert Park and Ripponlea.

Table 39 shows how this direction aligns with SEEF objectives, State policy aspirations and Council Plan directions.

T39. DIRECTION 3 - ALIGNMENT

SEEF Objective	State Policy	Council Plan
Locations of advantage Talent environment Residential land use Activity Centres and Villages	20 minute neighbourhoods ¹ Increased intensity of employment land ²	Sustainability Liveability Vibrant economy

Source: Urban Enterprise. 1. Plan Melbourne. 2. MICLUP.

9.4.4. DIRECTION 4: STRENGTHEN AND DIVERSIFY ACTIVITY CENTRES AND KEY VILLAGES

Port Phillip’s activity centres and villages provide an excellent spatial network of goods and services to residents across the municipality, often in high amenity settings. As is common across Melbourne, the land use mix in smaller centres is weighted towards retail, however Port Phillip also has a strong provision of hospitality businesses.

Challenging economic conditions for traditional goods retailers have been compounded by the COVID pandemic, requiring a focus on resilience, recovery and diversification in many instances. Despite these challenges, some centres are currently thriving and have the potential to grow further.

Post-pandemic, shifts in working and movement patterns are likely to result in greater daytime population in residential areas and an increase in the potential for residents to work locally within smaller centres. Policy support at both the State and local level encourages greater opportunities to live and work locally.

Although employment growth is expected to be greatest in the major city-edge precincts of South Melbourne, St Kilda Road and ultimately Fishermans Bend, moderate growth is also projected for suburban locations such as St Kilda, Elwood and Albert Park. Moderate population growth is projected for St Kilda, St Kilda East, Elwood and Port Melbourne which will support incremental increases in activity centre floorspace and employment.

This Strategic Direction encourages employment growth and commercial development within activity centres and selected villages across the City, generally commensurate with the position of each centre in the activity centre hierarchy. These centres have an increasingly important role to play in accommodating small professional spaces, allied health providers, commercial recreation and personal services.

The upcoming preparation of an Activity Centres Strategy presents an opportunity to reconsider the centre hierarchy to nominate additional neighbourhood centres with characteristics suitable to achieve 20 minute neighbourhoods and to identify locations and types of development which can accommodate an increase in local employment and greater diversity of land uses.

Recommendations under this direction are as follows:

- Continue to direct employment and larger scale retail and related developments to the City’s Major Activity Centres at Port Melbourne, South Melbourne, St Kilda and Balaclava.
- Prepare an updated Structure Plan for the St Kilda Major Activity Centre, with a focus on differentiating the role of each sub-precinct, facilitating pandemic recovery and diversifying the overall land use mix.
- As part of a future Activity Centres Strategy, identify suitable locations and policy directions which accommodate greater employment and commercial floorspace within Neighbourhood Activity Centres, including at upper levels. Priority locations include Bridport Street Albert Park, Ripponlea, Ormond Road Elwood and Armstrong Street Middle Park. Residential land immediately surrounding these centres could also be suitable to accommodate small-scale professional and allied health uses within existing buildings, warranting review of existing policy settings to ensure employment in these areas is encouraged.

This is an important direction which responds to the need to accommodate demand for additional employment-related uses across the municipality, diversify local centres where retailers are often facing economic challenges, meet changing living and working patterns associated with COVID pandemic impacts and facilitate policy directions for 10-20 minute neighbourhoods.

- Downgrade the Centre Avenue Port Melbourne and Tennyson Street Elwood Activity Centres in policy from Neighbourhood to Local to reflect the current scale and role of these centres.

Table 40 shows how this direction aligns with SEEF objectives, State policy aspirations and Council Plan directions.

T40. DIRECTION 4 - ALIGNMENT

SEEF Objective	State Policy	Council Plan
Activity centres and villages Locations of advantage	20 minute neighbourhoods	Vibrant economy Pandemic recovery 10-15 minute neighbourhoods

Source: Urban Enterprise.

9.4.5. DIRECTION 5: ALIGN HOUSING AND EMPLOYMENT POLICY

In the context of an inner metropolitan location such as Port Phillip with substantial areas of flexible zoning, it is critical that economic and planning policies and strategies are aligned. This study has identified that the availability and affordability of housing and the opportunity to develop residential uses within strategic employment areas all directly influence the local economy. For example:

- Residential development is providing strong competition for employment land uses in parts of the city fringe;
- Declining housing affordability has reduced the number of local ‘creatives’ and students, eroding a key element of the municipality’s creative culture which had endured for generations. Low housing affordability can also restrict opportunities for businesses to hire skilled staff, especially in casual and lower paid roles such as in hospitality, a challenge which flows throughout the economy; and
- Residential development in some areas has revitalised economic conditions within activity centres by bringing an increased local demand base and usually higher income residents.

In certain parts of the municipality (such as St Kilda), an increase in housing and population could contribute to economic recovery from challenging conditions for tourism, hospitality and entertainment businesses, while overall housing availability and affordability in the broader St Kilda area will be important to accommodating workers to occupy a range of existing and new job types. An increase in housing affordability (and affordable housing) will benefit the local economy.

In locations where both residential and non-residential land uses are permitted under current zoning, policy direction is needed to achieve a balance of complementary land uses, as opposed to ‘crowding out’ of non-residential uses. Although the scope of this study does not include recommendations on housing policy, it is important that the preparation of future housing policy and strategies have close regard to these directions.

Recommendations under this direction are as follows:

- **Ensure that the updated Housing Strategy directly considers the findings and directions of the SEEF as an input to policy directions and local recommendations for housing.**

Table 41 shows how this direction aligns with the overall SEEF objectives, State policy aspirations and Council Plan directions.

T41. DIRECTION 5 - ALIGNMENT

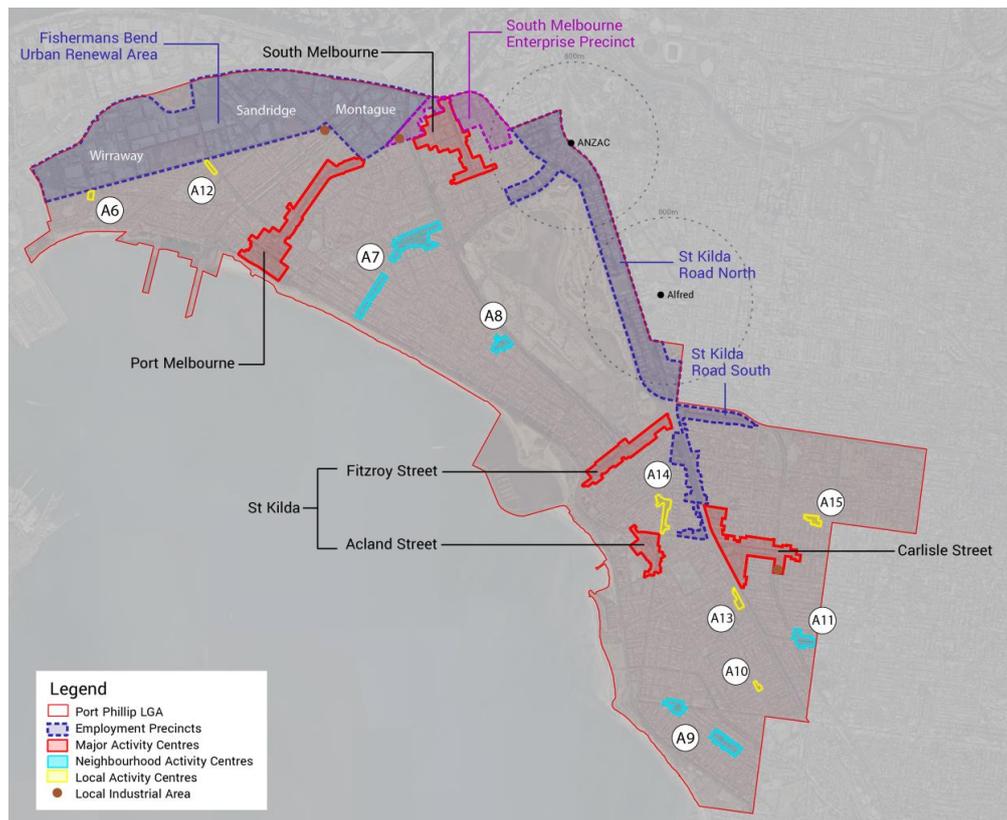
SEEF Objective	State Policy	Council Plan
Residential land use	Expanded central city ¹ Commercial areas as a critical economic resource	Vibrant economy

Source: Urban Enterprise. 1. Plan Melbourne. 2. MICLUP, Principle 2.

9.5. SPATIAL FRAMEWORK

Figure 54 shows a spatial framework which identifies the recommended roles of employment precincts and activity centres over the planning period.

F54. SPATIAL FRAMEWORK



Source: Urban Enterprise.

APPENDICES

APPENDIX A EMPLOYMENT ZONES CURRENTLY APPLIED IN PORT PHILLIP

Zone	Relevant Purposes
Special purpose Zones	
Capital City Zone	To enhance the role of Melbourne’s central city as the capital of Victoria and as an area of national and international importance. To recognise or provide for the use and development of land for specific purposes as identified in a schedule to this zone. To create through good urban design an attractive, pleasurable, safe and stimulating environment.
Commercial Zones	
Commercial 1 Zone	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.
Commercial 2 Zone	To encourage commercial areas for offices, appropriate manufacturing and industries, bulky goods retailing, other retail uses, and associated business and commercial services. To ensure that uses do not affect the safety and amenity of adjacent, more sensitive uses
Industrial Zones	
Industrial 1 Zone	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.
Industrial 3 Zone	To provide for industries and associated uses in specific areas where special consideration of the nature and impacts of industrial uses is required or to avoid inter-industry conflict. To provide a buffer between the Industrial 1 Zone or Industrial 2 Zone and local communities, which allows for industries and associated uses compatible with the nearby community. To allow limited retail opportunities including convenience shops, small scale supermarkets and associated shops in appropriate locations. To ensure that uses do not affect the safety and amenity of adjacent, more sensitive land uses.
Residential Zones	
Mixed Use Zone	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. To encourage development that responds to the existing or preferred neighbourhood character of the area.

Source: Port Phillip Planning Scheme.

APPENDIX B INDUSTRY AND SECTOR GROUPS

ANZSIC INDUSTRIES AND SECTOR GROUPS

Sector Group	ANZSIC Level 1 Industry
Industrial	Agriculture, Forestry and Fishing
	Mining
	Manufacturing
	Electricity, Gas, Water and Waste Services
	Construction
	Wholesale Trade
	Transport, Postal and Warehousing
Retail	Retail Trade
	Accommodation and Food Services
Commercial	Information Media and Telecommunications
	Financial and Insurance Services
	Rental, Hiring and Real Estate Services
	Professional, Scientific and Technical Services
	Administrative and Support Services
Institutional	Public Administration and Safety
	Education and Training
Arts and other	Health Care and Social Assistance
	Arts and Recreation Services
	Other Services

TOURISM SECTOR – DIRECT IMPACTS

ANZSIC Level 1 Industry	ANZSIC Level 2 Industry
Retail Trade	Motor Vehicle and Motor Vehicle Parts Retailing
Retail Trade	Fuel Retailing
Retail Trade	Food Retailing
Retail Trade	Other Store-Based Retailing
Retail Trade	Non-Store Retailing and Retail Commission Based Buying
Accommodation and Food Services	Accommodation
Accommodation and Food Services	Food and Beverage Services
Arts and Recreation Services	Heritage Activities
Arts and Recreation Services	Creative and Performing Arts Activities
Arts and Recreation Services	Sports and Recreation Activities
Arts and Recreation Services	Gambling Activities

Source: NIEIR.

APPENDIX C EMPLOYMENT PROJECTIONS DETAIL

Employment growth in Port Phillip was projected based on the following inputs and considerations.

In recent years, employment has been impacted by the COVID pandemic, in most cases leading to low employment growth and in some cases, overall employment reduction. This has been accounted for by reference to Remplan's estimates of employment impact for Council by industry.

In the future, 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. The projections have been 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 (which includes the Melbourne SA4s of 'Inner', 'Inner East', 'Inner South', 'South East' and 'West'). 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. An allowance for additional labour to be attracted to Port Phillip was made to account for the improved public transport access that will result from delivery of the Melbourne Metro and ANZAC Station.³³
- The following alternative growth rates are 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 industries³⁴ was linked to local population growth, taking into account an extrapolation of the medium term trend in the ratio of workers to residents³⁵ to capture ongoing trends (such as a reduction in retail employment per resident as influenced by online retailing).
 - Where a rate of employment growth has occurred in Port Phillip in recent years³⁶ 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 employment³⁷ (an indicator of the role and relative attractiveness of existing centres and employment precincts); the expected rate of population growth in the area³⁸ (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).

For the purposes of floorspace projections, the mid point of these two employment growth scenarios is assessed. Projected employment growth is converted into floorspace requirements based on the following considerations.

- Not all employment requires floorspace within private land and commercial premises – a range of job types are typically accommodated in locations that are not within the spatial scope of an employment land

³³ Melbourne Metro Business Case, February 2016, Victorian Government. Appendix 5: Public Transport Demand Forecasts; Appendix 6: Economic Evaluation.

³⁴ Industries include Retail Trade, Accommodation and Food Services, Arts and Recreation Services, Construction, Education and Training, Health Care and Social Assistance, Other Services and Public Administration and Safety.

³⁵ Based on ABS Estimated Resident Population by SA2 and Economy ID.

³⁶ Economy ID for Port Phillip, 2010 – 2020.

³⁷ ABS Census.

³⁸ Victoria in Future, 2019.

assessment, such as public schools, hospitals, ports and marinas, childcare, sports clubs, jobs undertaken from dwellings, and construction jobs (which are generally transient). Deductions are made to confine overall employment growth to the job types that are likely to require space in employment land within the scope of this study before determining floorspace requirements.

- The remaining employment growth is 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.³⁹ Medium term trends for employment densities (declining overall at 0.5% per annum) have been extrapolated to 2040 to account for ongoing increases in floorspace efficiency (i.e. intensification) over the planning period.

T42. 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.

The floorspace results were checked against the projections included in the Melbourne Industrial and Commercial Land Use Plan to ensure that this Strategy plans to accommodate the projected employment floorspace requirements for Port Phillip in the medium term (618,000sqm from 2016 – 2031).

It is noted that floorspace projections prepared for this Strategy are high level municipal estimates suitable for understanding the broad scale and indicative distribution of jobs and floorspace needs and were prepared during a time of relative economic variability. Subsequent Council strategies, Structure plans and other plans should consider local circumstances and updated data at the time of their preparation.

³⁹ City of Melbourne Census of Land Use and Employment.

FISHERMANS BEND

Fishermans Bend is in the early stages of major brownfield redevelopment. Changes to planning zones permit substantial increases in density and land use change which will fundamentally change the nature of employment in the area. The Urban Renewal Area has been the subject of extensive planning and technical assessment, reinterrogation of which is not within the scope of this assessment.

The Fishermans Bend Framework Plan expects the Port Phillip precincts to accommodate 34,000 jobs at 2051 and approximately 1m sqm of non-residential floorspace. It is noted that the rate of business and employment growth in Fishermans Bend as an extension of the CBD will depend largely on the ability to attract office tenants from other parts of Melbourne. As development opportunities in other city-fringe commercial precincts such as Docklands and Southbank become scarce, it is expected that a substantial proportion of office floorspace absorption will subsequently occur in the 'next' urban renewal precincts, primarily Fishermans Bend and Arden.

As an indication of the scale of demand for office floorspace as part of a previous brownfield extension to the central city, Docklands averaged 48,000 sqm additional office floorspace over the period 2011 – 2020. If this rate of absorption were to be achieved in Fishermans Bend, full development of office space would occur within 20 years, indicating that the Framework target of full development by 2051 (30 years from plan implementation, requiring an average of 33,000sqm new employment space per annum) is feasible in principle.

In order to capture the likely implications of the development of Fishermans Bend, progressive reduction of existing jobs has been modelled over the period of planned development. To account for the likelihood that some sites currently occupied by businesses will not be redeveloped over the period to 2050, an allowance for 25%⁴⁰ of existing employment to be retained is made. The overall employment projection for FBURA Precincts in Port Phillip is distributed based on the industry mix of the inner city.⁴¹

Timing of new employment floorspace delivery (and therefore employment) is expected to be weighted towards the end of the 30 year period because employment growth and change will depend to a large extent on the timing of infrastructure delivery and other amenity improvements which create an urban environment conducive and attractive to higher density mixed-use and commercial development. To date, relatively limited such investment has been made - it is expected that higher density employment uses will lag behind residential development in the precinct for this reason.

Table 43 summarises employment projection parameters for Fishermans Bend based on the above.

T43. FISHERMANS BEND EMPLOYMENT PARAMETERS

Parameter	Input
Full development timeframe	2051
Proportion of employment growth by time period	2020-30: 10%; 2031-2040: 30%; 2041-2051: 60%.
New employment industry composition	Based on Melbourne CBD, Docklands and Southbank, 2016 Census.
% of existing employment displaced by 2051	75%

Source: Urban Enterprise. Note: development rates and timing could vary, especially depending on the timing of public transport investment.

⁴⁰ Consistent with the recommendations of the Urban Design Strategy for Fishermans Bend which adopted an allowance of 75% of all sites to be redeveloped by 2050 (p.77).

⁴¹ ABS Census, Melbourne CBD, Docklands and Southbank.

PROJECTION RESULTS

T44. EMPLOYMENT PROJECTIONS BY INDUSTRY

Scenario	Scenario 1			Scenario 2		
	2020	2040	Change	2020	2040	Change
Industry						
Accommodation and Food Services	6,160	8,890	2,730	6,160	10,820	4,660
Administrative and Support Services	4,920	4,720	-190	4,920	5,560	640
Agriculture, Forestry and Fishing	310	410	100	310	460	150
Arts and Recreation Services	3,240	4,460	1,220	3,240	5,210	1,970
Construction	9,530	11,860	2,330	9,530	13,070	3,550
Education and Training	4,660	7,610	2,950	4,660	11,240	6,580
Electricity, Gas, Water and Waste Services	320	440	120	320	620	300
Financial and Insurance Services	6,630	8,940	2,310	6,630	12,010	5,380
Health Care and Social Assistance	8,590	12,960	4,380	8,590	14,970	6,380
Information Media and Telecommunications	3,400	3,160	-240	3,400	3,160	-240
Manufacturing	4,260	2,190	-2,060	4,260	3,480	-780
Mining	510	570	60	510	1,260	750
Other Services	3,750	4,240	480	3,750	4,800	1,040
Professional, Scientific and Technical Services	22,400	35,830	13,430	22,400	35,990	13,590
Public Administration and Safety	2,640	4,180	1,540	2,640	4,760	2,130
Rental, Hiring and Real Estate Services	3,250	5,680	2,430	3,250	6,430	3,180
Retail Trade	6,500	7,750	1,250	6,500	7,860	1,360
Transport, Postal and Warehousing	4,190	3,510	-680	4,190	4,220	40
Wholesale Trade	3,690	2,430	-1,260	3,690	3,390	-300
Total industries	98,940	129,840	30,900	98,940	149,310	50,370

Source: Urban Enterprise. Results rounded.

T45. EMPLOYMENT PROJECTIONS BY LOCATION

SA2	Scenario	2020	2040	Change	AAGR
Albert Park	SCENARIO 1	5090	6120	1030	0.9%
Albert Park	SCENARIO 2	5090	6840	1740	1.5%
Elwood	SCENARIO 1	2960	3720	760	1.1%
Elwood	SCENARIO 2	2960	4290	1330	1.9%
Port Melbourne	SCENARIO 1	5800	7060	1260	1.0%
Port Melbourne	SCENARIO 2	5800	8030	2220	1.6%
South Melbourne	SCENARIO 1	27620	37720	10100	1.6%
South Melbourne	SCENARIO 2	27620	45360	17740	2.5%
St Kilda	SCENARIO 1	12580	16190	3610	1.3%
St Kilda	SCENARIO 2	12580	18860	6290	2.0%
St Kilda East	SCENARIO 1	3850	5010	1160	1.3%
St Kilda East	SCENARIO 2	3850	5980	2130	2.2%
St Kilda Road	SCENARIO 1	23410	32750	9350	1.7%
St Kilda Road	SCENARIO 2	23410	38680	15270	2.5%
Fishermans Bend	SCENARIO 1	17640	21280	3640	0.9%
Fishermans Bend	SCENARIO 2	17640	21280	3640	0.9%
Total	SCENARIO 1	98940	129840	30900	1.4%
Total	SCENARIO 2	98940	149310	50370	2.1%

Source: Urban Enterprise.

APPENDIX D DEVELOPMENT CAPACITY APPROACH

OVERVIEW

An overview of the method to estimate development capacity for employment is provided in Table 46.

T46. CAPACITY METHOD OVERVIEW

Step	Description
Baseline	Compile area, planning and land use data for all properties in the municipality in the study zones.
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.
Test land use scenarios	For zones which permit both employment and residential land uses, apply potential land use mix assumptions to provide an indication of possible employment floorspace outcomes.

Source: Urban Enterprise.

Not all land in the City of Port Phillip is a logical candidate for redevelopment within the timeframe of this assessment. Exclusions have been made to remove from consideration those sites that, for several reasons, are unlikely to be developed as summarised in Table 47. It is noted that some sites affected by these exclusions may be developed, and many sites not affected by exclusions will not be developed.

T47. 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 less likely 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 therefore a lower minimum applies.
3	Heritage and character restrictions	Victorian Heritage Register	All zones	Sites with State heritage significance likely to constrain development and excluded. Local heritage controls in employment zones will influence design and built form but generally do not prevent development.
4	Other	Public Acquisition Overlay	All zones	Permit application will trigger public land acquisition.
		Current land use code = School, childcare, aged care, public use, public housing, infrastructure.	All zones	Assumed that these land uses will remain over the assessment timeframe and not be available for redevelopment.

Source: Urban Enterprise.

BUILT FORM CONTROLS

Much of the municipality 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. The DDO controls primarily apply to areas which are suitable for high density development, most of which are within the Commercial 1 Zone, Commercial 2 Zone or Mixed Use Zone.

DDO controls were converted into height and site coverage metrics as described in Table 48.

T48. BUILT FORM CONTROLS SUMMARY

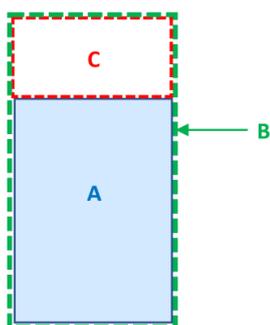
Control	Method
Building height	Adopt the specified maximum building height for each property, accounting for altitude (m) where AHD restrictions apply. Where necessary, an average storey height of 3.5m is applied to convert height to storeys.
Street wall / podium height	Adopt any specific maximum street 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. This includes front, side, rear and upper setbacks, building separation requirements and a 3m rear setback assumption for DDOs that require vehicular access at the rear or side of the site. Site coverage results are shown in Appendix A.

Source: Urban Enterprise.

Built form metrics were applied to calculate the maximum gross floorspace capacity of each property. Maximum floorspace is then compared with existing floorspace to arrive at an estimate of Net Additional Floorspace (GFA) as depicted in Figure 55.

Assuming no conversion of existing buildings from a non-employment use to an employment uses, this is the maximum additional floorspace that could be dedicated to employment purposes in the City within sites identified as having development potential.

F55. MAXIMUM AND NET ADDITIONAL FLOORSPACE



A = Existing floorspace

B = Maximum permissible floorspace

C = Net Additional Floorspace Capacity

Source: Urban Enterprise.

LAND USE OUTCOMES AND SCENARIOS

Both employment and residential land uses are permitted in the Commercial 1 Zone and Mixed Use Zone. While there are some restrictions on the extent of residential development (for example, limitations on using ground floor space for dwellings in the Commercial 1 Zone), there is substantial flexibility for proponents to determine the optimum mix of land uses within developments in these zones.

This flexibility can result in developments being comprised exclusively of employment floorspace, almost exclusively of residential dwellings, or any combination of both. It is not possible to predict with any certainty the land use mix that will be delivered through redevelopment of sites in these zones.

In order to provide an indication of possible development outcomes by land use, two scenarios were considered:

- First, a scenario of a low employment floorspace outcome relative to residential land uses. This scenario is based on the removal of existing floorspace and replacement with a development which maximises the site's permissible floor area yield (based on planning controls) and comprising a land use mix typical of recent developments in the zone.
- Second, a scenario of a higher employment floorspace outcome, which applies a land use mix to the net additional floorspace to determine the potential scale of employment and residential outcomes possible. This scenario considers the additional employment floorspace that could be delivered if this type of floorspace was given greater priority than in the first scenario.

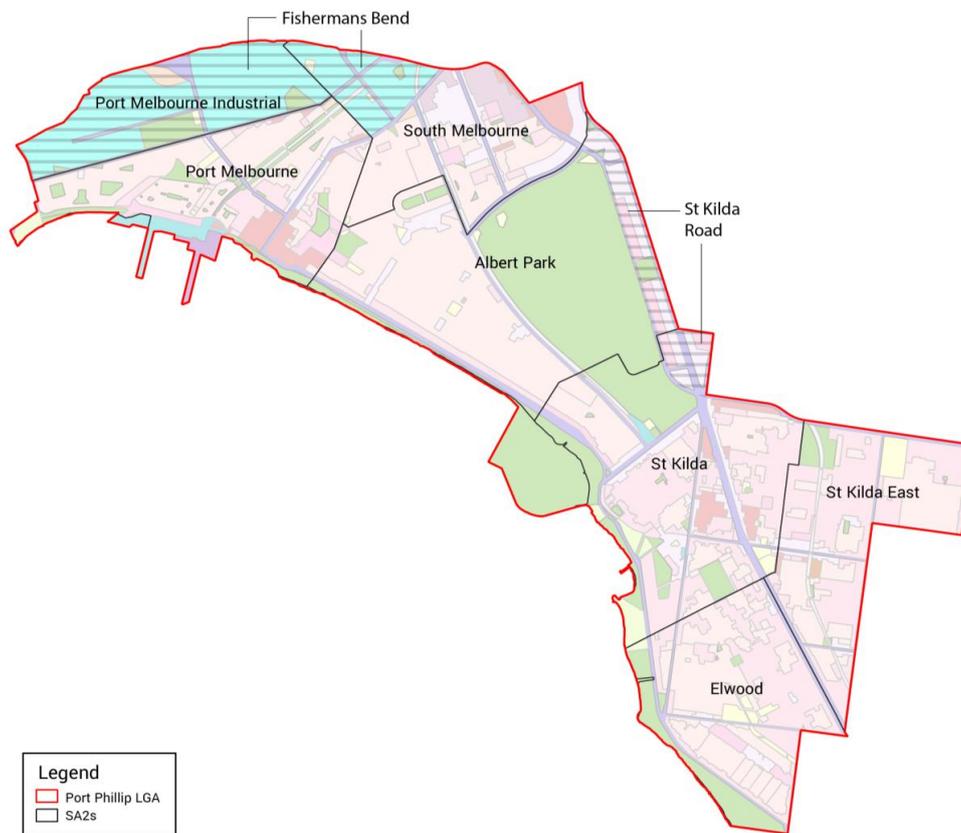
The land use mix assumed for these purposes is summarised in Table 49.

T49. COMMERCIAL 1 ZONE AND MIXED USE ZONE LAND USE MIX

Zone	Default Land Use Mix	
	Residential	Employment
C1Z	75%	25%
MUZ	90%	10%

Source: Urban Enterprise, considering City of Port Phillip development case studies.

APPENDIX E DATA AREAS MAP



Source: Urban Enterprise, based on ABS SA2s.

Note: shaded areas show sections of SA2s that are considered separately for the purposes of employment and floorspace projections. i.e. The section of Fishermans Bend in the South Melbourne SA2 is not considered as part of the future South Melbourne employment growth, and the shaded sections of St Kilda Road are extracted from the Albert Park and St Kilda SA2s and considered separately.

