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**342–348 VICTORIA STREET
BRUNSWICK**

ECONOMIC ASSESSMENT OF DEVELOPMENT PROPOSAL

AUGUST 2024



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CONTENTS	
1. INTRODUCTION	4
1.1. BACKGROUND	4
1.2. SCOPE OF THE ASSESSMENT	4
2. SUBJECT SITE	5
2.1. OVERVIEW	5
2.2. CURRENT AND PREVIOUS USE	6
2.3. DEVELOPMENT PROPOSAL	7
3. POLICY CONTEXT	8
3.1. OVERVIEW	8
3.2. STATE POLICY	8
3.3. LOCAL POLICY	8
3.4. POLICY ALIGNMENT OF SUBJECT SITE DEVELOPMENT PROPOSAL	10
3.5. PROPOSED POLICY	11
4. ECONOMIC ANALYSIS	12
4.1. INTRODUCTION	12
4.2. EMPLOYMENT	12
4.3. BUSINESS MIX	14
4.4. OFFICE MARKET CONDITIONS	15
4.5. EMPLOYMENT AND FLOORSPACE PROJECTIONS	17
5. COMMENTARY AND FINDINGS	19
5.1. ROLE OF THE SUBJECT SITE	19
5.2. CONCLUSIONS	20
APPENDICES	21
Appendix A FLOORSPACE BREAKDOWN BY LEVEL	21
Appendix B ASSESSMENT OF SUBJECT SITE PROPOSAL AGAINST POLICY TARGETS	22
Appendix C DATA AREAS	23
FIGURES	
F1. SUBJECT SITE	5
F2. EMPLOYMENT GROWTH BY INDUSTRY, BRUNSWICK, 2011, 2016 & 2021	13
F3. BUSINESSES BY EMPLOYMENT SIZE, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, JUNE 2022	14
F4. BRUNSWICK SOUTH SA2 AND BRUNSWICK NORTH SA2 (2021).....	23
F5. BRUNSWICK SA2 (2011 AND 2016)	23
F6. MERRI-BEK LGA.....	23
F7. INNER MELBOURNE SA4.....	23

TABLES

T1. DEVELOPMENT PROPOSAL SUMMARY	7
T2. DERIVATION OF COMMERCIAL FLOORSPACE BENCHMARKS FOR EMPLOYMENT AREAS	10
T3. POLICY TARGET ANALYSIS	10
T4. TOTAL EMPLOYMENT, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, 2011, 2016 & 2021	12
T5. EMPLOYMENT BY INDUSTRY, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, 2021	13
T6. BUSINESS COUNTS BY INDUSTRY, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, JUNE 2022.....	14
T7. PRIME NET FACE RENTS, METROPOLITAN MELBOURNE AND CITY FRINGE, NOVEMBER 2022	15
T8. PROJECTED CHANGE IN EMPLOYMENT FLOORSPACE, BRUNSWICK MAC, 2020-2035	17
T9. EMPLOYMENT PROJECTION, BRUNSWICK MAJOR ACTIVITY CENTRE, 2020-2035.....	17
T10. SITE AREA AND FLOORSPACE METRICS COMPARISON	22
T11. EMPLOYMENT SELF SUFFICIENCY, MERRI-BEK, 2021	22
T12. EMPLOYMENT AND SELF SUFFICIENCY METRICS	22

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1. INTRODUCTION

1.1. BACKGROUND

Urban Enterprise was engaged by Armitage Jones to prepare an economic assessment in relation to a planning permit application for a mixed-use development of land at 342 – 348 & 368 – 370 Victoria Street, 13 & 15 Rosser Street and 32 Wilkinson Street, Brunswick.

The purpose of the engagement is to provide an economic basis to inform assessment of the planning permit application with a particular focus on whether the proposed non-residential components of the development proposal satisfy planning policy objectives relating to employment retention in the area.

1.2. SCOPE OF THE ASSESSMENT

This assessment includes:

- A summary of the development proposal for the subject site in terms of yield, land use mix and tenure;
- A review of current planning policy applicable to the site, including a summary of the economic analysis and strategies which underpin those objectives;
- Analysis of economic and employment trends in Brunswick and inner northern Melbourne which will influence the role of the subject site;
- Commentary regarding commercial floorspace trends in Brunswick and Melbourne, including floorspace supply and business types; and
- Implications and conclusions regarding the economic outcomes associated with the application and the extent to which the application would be likely to achieve policy objectives relevant to employment and economic activity.

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2. SUBJECT SITE

2.1. OVERVIEW

The subject site (shown in Figure 1) is located in Brunswick, approximately 5km north of the Melbourne CBD. The total area of the site is 7,397 sqm and includes the following properties:

- 342-348 Victoria Street, Brunswick;
- 368-370 Victoria Street, Brunswick;
- 32 Wilkinson Street, Brunswick;
- 13 Rosser Street, Brunswick; and
- 15 Rosser Street, Brunswick.

To the north and east of the site are commercial premises; the Upfield bike path and railway line is to the west and dwellings front Wilkinson Street to the south. The entrance to the Brunswick Train Station is located immediately adjacent to the south-west corner of the subject site.

The subject site is in the Commercial 1 Zone (C1Z).

F1. SUBJECT SITE



Source: Tract Consultants, 2023.

2.2. CURRENT AND PREVIOUS USE

The site is currently disused, with the exception of an automotive detailing business operating in a small industrial space at 32 Wilkinson Street (283sqm floorspace).

The majority of the subject site was previously used as a confectionary manufacturing facility, commencing in 1922 and closing in 1985.¹ The current owners understand that the site has not been used for manufacturing or any other purposes for many years.

Given that the site has not performed any meaningful industrial or employment role for some time, any economic use or employment accommodated as a result of its development would represent a net employment increase and new economic activity.

2.3. PLANNING PERMIT HISTORY

The following summarises the recent planning permit history of the subject site for the purposes of background information:

- Planning Permit MPS/2017/745 was approved on June 15, 2018, at the direction of VCAT, authorising the development of the subject site for four multi-storey mixed use buildings, partial demolition, buildings and works in a Heritage Overlay, a reduction of the statutory car parking requirement, as well as use of land for dwellings.
- An application to amend the permit was subsequently lodged under Section 72 of the Planning and Environment Act 1987, resulting in Council issuing an amended permit, MPS/2017/745/A, on June 11, 2021.
- A further permit amendment was issued following compulsory conference in October 2023, which incorporated several functional and design modifications that sought to facilitate a transition from the conventional Build-to-Sell (BTS) model to a Build to Rent to Own (BTRTO) approach.

Independent of the above permits and amendments, a new permit application is now under preparation. The development which would be permitted under this new application is the subject of this economic assessment and is referred to as the **Current Proposal** in this report.

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¹ Victorian Heritage Database Report, Former Australian Licorice Factory Chimney and Fire Tunnel Remains, Statement of Significance, May 12, 1999.

2.4. CURRENT PROPOSAL

The current proposal for the development of the subject site consists of four multi-storey mixed use residential buildings, which will be offered as a 'Build-to-Rent-to-Own' ownership model, whereby tenants have the option to purchase their home at the end of their five year lease. The proposal also includes retail and commercial space at the ground floor of each building.

Table 1 provides a summary of the current proposal as relevant to employment and economic activity. A breakdown of the proposed floorspace by level is provided in **Appendix A**.

T1. DEVELOPMENT PROPOSAL SUMMARY

	Development Proposal
Site area	7,306 sqm
Residential tenure	Build to rent to own (with scope to purchase property after five years)
Net commercial floorspace	2,465 sqm
Net retail floorspace	1,338 sqm
Net employment floorspace (commercial + retail)	3,803 sqm
Gross employment floorspace (commercial + retail)	5,019 sqm

Source: Urban Enterprise, 2024; figures derived from VSB Development Summary Worksheet, Fieldwork, 29 July 2024.

Discussions with the development proponent were held to understand the nature of the proposal, the extent to which the proposal might differ from a typical development, and the potential economic implications.

The following points differentiate the proposal:

- All apartments are intended to be available through the Build to Rent to Own tenure model where residents can rent a property for a period of up to 5 years and then purchase at the conclusion of the term.
- Pricing is proposed to target a significant cohort of moderate income earners, with rents ranging from \$382 (1 bed compact) - \$906 (3 bed 2 bath) per week and sale prices expected to range from \$523,000 (1 bed compact) to \$1.4m (3 bed 2 bath).
- Commercial spaces will be available to the private market, with an expected tenant mix of food and beverage, cafés, commercial office, co-working facilities, personal services and local retailers.
- Commercial spaces have been designed with smaller retailers and businesses in mind and seeking to maximise street access and activity, given the expected mix of retail and micro businesses likely to be attracted to the development.

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3. POLICY CONTEXT

3.1. OVERVIEW

This section provides an overview of the planning policies and objectives relevant to the land use and economic elements of the proposal.

3.2. STATE POLICY

The Melbourne Industrial and Commercial Land Use Plan (MICLUP, 2020) provides an overview of current and future needs for industrial and commercial land across metropolitan Melbourne.

MICLUP identifies the site as forming part of a 'regionally significant' commercial area and includes the following commentary relevant to the subject site:

"Beyond the Newlands Road Precinct, there are two other large concentrations of industrial zoned land in Moreland at North Coburg and Brunswick. These areas have been identified to be retained for industry and employment uses and are increasingly supporting a range of creative industries including makers spaces, film studios, recording studios and specialist 3D artwork production as well as a designated "Design District" in Brunswick centred around RMIT's campus." (MICLUP p65)

3.3. LOCAL POLICY

The following provides a review of relevant Council policies as they relate to the subject site and this economic assessment.

Cause 02.03-3 – Activity Centres

The Strategic Activity Centre Framework Plan included in this clause identifies the subject site as part of the Brunswick Major Activity Centre. The following relates to the role and function of major activity centres:

"Provide a broad mix of retail uses, commercial and cultural activity, employment options, administrative and civic centre functions, government investment and regional facilities.

Accommodate substantial residential/mixed-use growth and change to create a new character of increased density and scale of built form."

02.03-5 – Housing

The subject site is within a 'significant change' area for housing in the Strategic Housing Framework Plan of this clause. Key directions in regard to housing include:

- Facilitate housing growth and change in accordance with the Housing Framework shown on the Strategic Framework Plan: Housing at Clause 02.04.
- Encourage a diversity of housing that meets the needs of different sectors of the community.
- Encourage housing that is designed to meet the changing needs of occupants over their lifetimes.
- Facilitate housing that is affordable in relation to purchase price, rental price and ongoing living costs (utilities, transport) associated with the design and location of housing.

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Clause 17.01-1L-02 - Economic Development - Commercial

The subject site is identified in the Strategic Economic Framework Plan as an 'Employment Area', as well as part of the Brunswick Design District Core.

Local policy supports the transition of land identified as 'Employment Areas' from traditional industrial uses to a broader range of employment uses. This objective is supported by the following strategies (selected):

- "Support the continued operation of existing viable industries in Employment Areas."
- "Facilitate the transition of Employment Areas to accommodate a broader range of employment generating uses, including a mix of industry and office-based uses and other compatible employment uses."
- "Prioritise employment uses over residential uses either by:
 - Ensuring the amount of employment floor space in a mixed-use development is at least equivalent to the amount of all proposed ground and first floor building areas (inclusive of car parking, other services and circulation space).
 - Allocating a proportion of the site to employment uses and including the area in a zone that prohibits residential use where rezoning of a large site is proposed."
- "Support the mixed-use nature of the precinct and surrounding areas while giving priority to employment uses."

ECONOMIC BASIS FOR EXISTING POLICY

The Moreland Industrial Land Use Strategy (MILS), 2015-2030, was adopted by Council in 2016. The MILS identifies the subject site as within an 'Employment Area' (Category 2) – the aim of these areas was to support transition from traditional industrial uses to a broader range of employment uses, and prioritise employment uses over residential uses.

The Strategy considered that employment uses were 'prioritised' if either of the following policy metrics were met (these are reflected in the content of clause 17.01 as quoted above):

- Where multi-use development including a residential component is proposed, the amount of employment floor space should be at least equivalent to the amount of all proposed ground and first floor building floor space (inclusive of car parking, other services and circulation space); or
- Where rezoning of a large site is proposed, a proportion of the site should be allocated to employment uses. The area allocated to the employment uses should be to Council's specification and included in a zone that prohibits residential use.

The MILS was informed by a Background Report, which, among other things, has a strong focus on the economic concept of 'employment self sufficiency' (measure by the ratio of local jobs to local labour). The Background Report identifies the retention of existing levels of employment self-sufficiency as a key objective and includes the following commercial floorspace provision objectives for 'Employment Areas' in order to achieve the overarching self-sufficiency target:

- "16% of the total site area [should be commercial floorspace], provided at lower levels of multi-storey buildings or on specific areas of larger sites; or
- Allocation of all useable floor space not required for car parking or other services at ground and first floor of multi-level buildings" [for commercial floorspace].

Table 2 summarises how these metrics were derived. The assessment begins with an estimate of the employment needed in 2030 to maintain the current levels of employment self sufficiency (43,000 jobs), and subsequently, the average employment density that would need to be achieved across all existing commercial and industrial land in the municipality (91 jobs per ha). This density was then converted into a percentage of site area needed for office space (16%), assuming that a proportion of jobs would be undertaken from home or in special use zones and using an average office density of 20sqm per worker.

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T2. DERIVATION OF COMMERCIAL FLOORSPACE BENCHMARKS FOR EMPLOYMENT AREAS

Row		
A	Total area of commercial and industrial zones, Moreland	470 ha
B	Forecast municipal jobs in 2030 if employment self-sufficiency is maintained	43,000
C	Jobs per ha needed (B / A)	91
D	Reduced jobs per ha to account for jobs not on employment land (e.g. at home or in residential/special use zones)	80
E	Office jobs benchmark	20 sqm per job
F	Office floorspace per hectare of employment land (D x E)	1,600sqm
G	Office floorspace per hectare of employment land (F / 10,000sqm)	16%

Source: Moreland Industrial Land Use Strategy (MILS) Background Report, Moreland City Council, 2015.

The Background Report noted that:

"Acknowledging that 16% of a site of less than 800sqm may not result in employment being prioritised, the provision of the first 2 levels of a mixed use building to commercial uses has also been determined as an appropriate floorspace benchmark" (MILS Background Report p. 32, emphasis added).

Moreland Planning Scheme Amendment C158 implemented the MILS into the Planning Scheme. The associated Panel Report noted that:

"the 16 percent benchmark is not performance based; could be described as arbitrary and may be practically difficult for statutory planners to explain and apply. As such, the Panel resolved to remove the 16% commercial floorspace benchmark, which informed the final employment floorspace benchmark provided in clause 17.01-1L-02 of the planning scheme."

Based on this context, it is observed that:

- The economic rationale for the local policy requirement relating to employment floorspace is based on the objective of maintaining previous levels of employment self-sufficiency; and
- The employment target was originally set at 80 jobs/ha, or employment space comprising 16% of site area.

Primarily to account for smaller sites and for ease of implementation, local policy subsequently refers to a requirement for mixed use developments to dedicate all ground floor and first floor space to employment use and does not refer to the original 16% of site area target.

3.4. POLICY ALIGNMENT OF SUBJECT SITE DEVELOPMENT PROPOSAL

Table 3 compares the proposed development against the policy targets relating to employment and employment floorspace. Detailed analysis is included in **Appendix B**.

The table shows that the development proposal does not meet the primary quantitative objective relating to employment floorspace (employment floorspace being of equal scale to all ground and first floor space), however the proposal would exceed all other general economic objectives and benchmarks which underpinned the introduction of the policy, including employment floorspace as a percentage of site area, employment density and employment self-sufficiency.

T3. POLICY TARGET ANALYSIS

No.	Metric	Target	Development Proposal (Net Floorspace)	Development Proposal (Gross Building Area)
1	Employment floorspace % of site area	16%	52%	69%
2	Employment floorspace % of ground and first floor space	100%	55%	48%
3	Employment density (jobs per ha)	80	230	
4	Maintain employment self sufficiency (jobs per employed resident)	48%	53%	

Source: Urban Enterprise. See Appendix B for details. Net floorspace excludes P.O.S, Assemble Communities, circulation, services and parking.

3.5. PROPOSED POLICY

In May 2024, Merri-bek Council resolved to seek authorisation from the Minister for Planning to prepare Merri-bek Planning Scheme Amendment C230mbek which proposes to implement the Vibrant Brunswick Draft Brunswick Activity Centre Structure Plan into local policy and apply the Activity Centre Zone to the Brunswick Activity Centre.

Amendment C230mbek seeks to ensure that the planning scheme can support growth in businesses and employment in the Brunswick Activity Centre to ensure that the vibrancy of the area does not decline. The amendment has not yet been the subject of formal submissions or a panel process.

It is noted that the Amendment proposes to retain the existing employment area policy (Clause 17.01-1L-02) as quoted earlier in this section, however the proposed Activity Centre Zone would introduce a new commercial floorspace benchmark for accommodation uses, which would require that 70sqm for each 100sqm of site area be provided as commercial floorspace within the building. This equates to employment floorspace at 70% of site area which would be a substantial increase when compared with the existing policy objective of 16% (i.e. 16sqm per 100sqm site area).

This benchmark is based on the capacity and gap analysis undertaken as part of *A Job in Merri-bek (2022)*, which assessed the capacity of Merri-bek's activity centres to meet forecast demand for employment floorspace under a range of scenarios. The assessment found that under an employment growth scenario, greater employment floorspace capacity is required to help achieve the aspiration to maintain employment self-sufficiency in the Brunswick Activity Centre. The 70% requirement is characterised as a "reasonable stretch goal" in the Structure Plan in the context that "on average development has been providing around 35sqm of floor space for employment for each 100sqm of site area." (p.47)

The table of uses in the proposed Activity Centre Zone indicates that, to avoid the need for a planning permit, the new commercial floorspace condition would need to be met to develop dwellings at the subject site. However, it appears that under the mixed-use sub precinct 2.2 designation that applies to the subject site (as per the proposed Brunswick Activity Centre Framework Plan), accommodation uses could be allowed with a permit if the commercial floorspace condition is not met.

The new policy and zone requirements proposed under C230 are yet to be approved and therefore are not specifically addressed as part of this assessment, however it is noted that the proposal would result in employment floorspace comprising 52sqm of net employment floorspace per 100sqm of site area, slightly lower than the 70sqm required to avoid the need for a planning permit for dwellings but higher than the average of 35sqm per 100sqm site area in recent developments in the Brunswick Activity Centre.

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4. ECONOMIC ANALYSIS

4.1. INTRODUCTION

This section provides an overview of market demand for employment floorspace in Brunswick, Merri-bek and Inner Melbourne which enables consideration of the need for employment floorspace in the vicinity of the subject site and an assessment of the role of the subject site in meeting demand.

4.2. EMPLOYMENT

Demand for non-residential floorspace is naturally influenced by the rate and type of employment change in the area. Tables 4 and 5 and Figure 2 show employment trends in Brunswick, Merri-bek and Inner Melbourne between 2011 and 2021. Observations are as follows:

- Employment in Brunswick increased strongly from 2011 to 2021, with an increase of +3,593 jobs (+3.4% p.a.) exceeding the rate of growth in Merri-Bek (3.3%) and inner Melbourne (3.2%).
- Employment in Brunswick in 2021 was highest in the sectors of health care, hospitality and retail, while the greatest growth from 2011 occurred in hospitality (+994), health (+638) and professional services (+421).
- Employment in traditional industrial sectors of wholesale trade (-338) and manufacturing (-627) decreased over the 10 year period in Brunswick, reflecting the ongoing land use transition from industrial to commercial and residential in many parts of the suburb.

T4. TOTAL EMPLOYMENT, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, 2011, 2016 & 2021

	2011	2016	2021	Change (2011-2021)	AAGR (2011-2021)
Brunswick	9,147	11,354	12,740	3,593	3.4%
Merri-bek	32,108	38,803	44,261	12,153	3.3%
Inner Melbourne	67,907	686,468	778,703	210,796	3.2%

Source: ABS Census of Population and Housing, Brunswick South and North SA2s, Merri-bek and Inner Melbourne SA4, 2011, 2016 & 2021.

The total employment increase over the 10 year period from 2011 to 2021 in Brunswick in sectors usually occupying private office space was 541 jobs. If this was converted into a general floorspace requirement at 20sqm per job, the additional office space by this level of employment growth would be in the order of 10,000sqm, or 1,000sqm per annum across the broader Brunswick suburb.

This is a simple measure of the scale of floorspace that may be required to accommodate employment growth for indicative purposes only and does not take into account factors such as more efficient use of existing floorspace.

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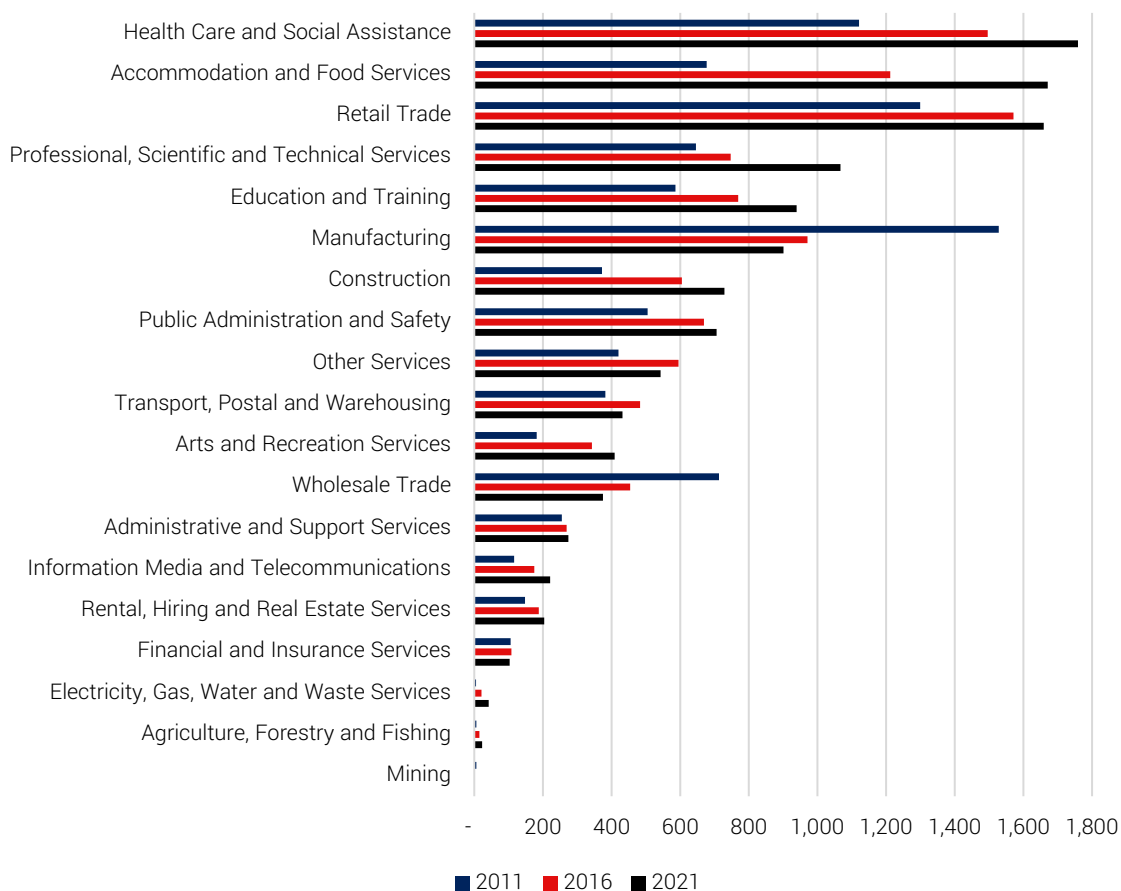
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T5. EMPLOYMENT BY INDUSTRY, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, 2021

	Brunswick	Merri-bek	Inner Melbourne
Health Care and Social Assistance	14%	17%	11%
Accommodation and Food Services	13%	9%	6%
Retail Trade	13%	11%	6%
Professional, Scientific and Technical Services	8%	7%	18%
Education and Training	7%	12%	6%
Manufacturing	7%	7%	3%
Construction	6%	8%	5%
Public Administration and Safety	6%	5%	9%
Other Services	4%	5%	3%
Transport, Postal and Warehousing	3%	3%	3%
Arts and Recreation Services	3%	2%	3%
Wholesale Trade	3%	2%	2%
Administrative and Support Services	2%	2%	4%
Information Media and Telecommunications	2%	1%	4%
Rental, Hiring and Real Estate Services	2%	1%	2%
Financial and Insurance Services	1%	1%	11%
Electricity, Gas, Water and Waste Services	0%	0%	2%
Agriculture, Forestry and Fishing	0%	0%	0%
Mining	0%	0%	0%
Total	12,740	44,261	778,703

Source: ABS Census of Population and Housing, Brunswick-South SA2, Brunswick-North SA2, Merri-bek and Inner Melbourne SA4.

F2. EMPLOYMENT GROWTH BY INDUSTRY, BRUNSWICK, 2011, 2016 & 2021



Source: ABS Census of Population and Housing, Brunswick SA2s, Merri-bek and Inner Melbourne SA4, 2011, 2016 & 2021.

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4.3. BUSINESS MIX

Table 6 and Figure 3 show business counts in Brunswick, Merri-bek and Inner Melbourne in 2022. Key findings are:

- The most common sector of businesses based in Brunswick is Professional Services (19%), followed by hospitality (15%) and retail (12%). Hospitality and retail businesses are over-represented in Brunswick when compared with Merri-bek and inner Melbourne, as is the arts and recreation services sector.
- 68% of businesses in Brunswick and 76% of businesses in Merri-bek are small businesses with 1 – 4 employees, greater than the share of small businesses in Inner Melbourne overall (65%).

This analysis shows that Brunswick's business base and economy is weighted towards consumer facing retail and hospitality activities, as well as creative activities within the arts and recreation sector.

Professional services are also prominent, however there is a low number and proportion of other business types typically using office space such as finance, information media and telecommunications and administration.

T6. BUSINESS COUNTS BY INDUSTRY, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, JUNE 2022

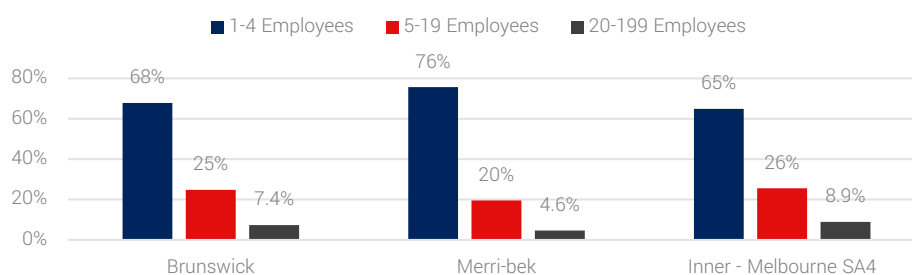
	Brunswick		Merri-bek	Inner Melbourne
	No.	%	%	%
Professional, Scientific and Technical Services	235	19%	16%	26%
Accommodation and Food Services	193	15%	11%	12%
Retail Trade	155	12%	10%	9%
Construction	111	9%	16%	7%
Health Care and Social Assistance	87	7%	7%	8%
Other Services	87	7%	8%	5%
Manufacturing	80	6%	6%	3%
Wholesale Trade	51	4%	4%	4%
Arts and Recreation Services	48	4%	2%	2%
Administrative and Support Services	47	4%	5%	6%
Rental, Hiring and Real Estate Services	37	3%	3%	5%
Education and Training	34	3%	2%	3%
Information Media and Telecommunications	30	2%	2%	2%
Financial and Insurance Services	26	2%	3%	7%
Transport, Postal and Warehousing	26	2%	3%	1%
Public Administration and Safety	9	1%	1%	0%
Agriculture, Forestry and Fishing	3	0%	0%	1%
Electricity, Gas, Water and Waste Services	0	0%	0%	0%
Mining	0	0%	0%	0%
Total		1,259	5,364	43,181

Source: ABS Counts of Australian Businesses, June 2022 (including entries and exits, June 2018 – June 2022). Notes:

Excludes non-employed businesses.

Data for 'Brunswick' represents the sum of Brunswick-South SA2 and Brunswick-North SA2 business counts.

F3. BUSINESSES BY EMPLOYMENT SIZE, BRUNSWICK, MERRI-BEK AND INNER MELBOURNE, JUNE 2022



Source: ABS Counts of Australian Businesses, June 2022 (including entries and exits, June 2018 – June 2022). Notes:

Excludes non-employed businesses.

Data for 'Brunswick' represents the sum of Brunswick-South SA2 and Brunswick-North SA2 business counts.

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4.4. OFFICE MARKET CONDITIONS

Melbourne's office market was performing strongly prior to the onset of the COVID pandemic in 2020 and 2021 which has caused significant disruption and generally resulted in significantly higher vacancy rates.

Brunswick's location 5km from the Melbourne CBD places it as an inner suburban / metropolitan location with similar attributes to many of Melbourne's popular 'city fringe' office markets such as Collingwood and Richmond.

Melbourne's city fringe has become a legitimate alternative to the CBD, with rents in the broader fringe area rising by 54% between 2015 and 2019 (compared to 37% in the CBD). Characterised by non-traditional industrial architecture and high quality amenity (e.g. public spaces, food and beverage), inner fringe suburbs are particularly appealing to creative and tech businesses that rely on a millennial and Gen Z workforce and that align with a more urban and 'edgy' brand identity².

Richmond and Cremorne are the epicentre of the Melbourne fringe office market, experiencing an 80% increase in rents between 2015 and 2019 and attracting global tenants such as Disney and Tesla. High rents in these suburbs are expected to shift office demand north to the emerging markets of Collingwood and Abbotsford.⁴

Over 100,000sqm of office space is expected to be delivered in the city fringe area³ throughout 2023 and 2024, indicating that developers are expecting changes in preferences within Melbourne, moving out of the CBD into 'trendy' areas⁴.

Table 7 shows that in November 2022, average rents for prime office space were \$531 per sqm in the city fringe and significantly higher in Richmond and Cremorne (\$615 per sqm).

T7. PRIME NET FACE RENTS, METROPOLITAN MELBOURNE AND CITY FRINGE, NOVEMBER 2022

Area	Rent (per sqm)
Richmond/Cremorne	\$615
Parkville/Carlton	\$440
South Melbourne	\$550
St Kilda Road	\$525
Total City Fringe	\$531
Metro Inner East	\$435

Source: Knight Frank City Fringe & Metro Offices Market Report, December 2022.

The inner fringe and metropolitan office markets are performing reasonably well post-pandemic despite changes in work patterns. As a result, the overall vacancy rate in the City Fringe office market improved from 11% in October 2022 to 9.7% in July 2023, whilst average rent remained relatively unchanged at \$538/sqm.⁵

Over the past years, demand for City Fringe office space has been highest in areas of higher worker amenity such as Richmond, Collingwood, Cremorne and South Melbourne – Brunswick has similar characteristics to these areas but does not yet have any substantial office role relative to these other areas. Across inner Melbourne, demand for higher quality offices compared with secondary space is evident, however demand for cold shells in the inner north is very low, with most tenants preferring pre-fit spaces.

Notwithstanding the positive performance of the fringe market over the medium term, office vacancy rates in 2024 are relatively high in inner Melbourne. By April 2024, vacancy rates in the City Fringe had increase to 16%⁶. Remaining vacancies will slow any outward expansion or spillover of demand from established office precincts (such as Collingwood and Fitzroy) to the north to places such as Brunswick.

² Knight Frank The Emerging inner East: Melbourne's Creative Heart and its Office Market Transformation, 2019.

³ City Fringe refers to St Kilda Road, Eastern Fringe (Richmond, Cremorne, South Yarra), Northern Fringe (Parkville, Carlton) and Southern Fringe (South Melbourne).

⁴ Knight Frank City Fringe & Metro Offices Market Report, December 2022.

⁵ Knight Frank City Fringe & Metro Offices Market Report, October 2023.

⁶ CBRE Research , Resilience in Melbourne's Metro Office Market, April 2024.

Across the broad metropolitan market (i.e. further from the CBD than the city fringe areas), vacancies remain high at around 13%, although rents have continued to rise at a moderate rate.

BRUNSWICK

Brunswick's commercial office role is currently relatively limited, with most commercial premises being shopfronts, former industrial spaces and larger format showrooms and general commercial space.

Offices available for lease in mid 2023 via commercial real estate listings indicated that the quality and rental price of the listings vary widely. Of the seven listings reviewed:

- Advertised rents ranged from \$250 to \$500 per sqm per annum; and
- Premises included ground floor shopfront type offices, first floor offices above retail and commercial space, older lower quality spaces, and new spaces available within recently completed mixed use developments.

Consultation with local real estate agents involved in leasing these spaces was undertaken, resulting in the following observations:

- Demand for office space is moderate in Brunswick at present and new spaces can generally be leased within short timeframes if they are well matched to market needs.
- Demand is strongest from small and medium enterprises (SMEs), often with a creative function, and generally seeking less than 200sqm of space per business (and usually at the lower end of 80-120sqm).
- Rents achieved in recent office leasing are generally between \$250 and \$450 per sqm. At the higher end of this lease price range, smaller offices are preferred by tenants so that the overall rent cost per premise remains lower than \$50,000 per annum.
- Some developers are converting commercial floorplates of new developments into smaller tenancies to respond to the demand for smaller spaces and to ensure that overall rents remain affordable.

Rents in Brunswick are generally lower than more established city fringe office locations such as Richmond & Cremorne (\$615 per sqm), South Melbourne (\$550 per sqm) and St Kilda Road (\$525) and there has been relatively little office development in Brunswick in recent years (and no standalone offices developed). Redevelopment in the MAC and C1Z has primarily been residential, with smaller retail space and lower-level flexible commercial spaces delivered (several of which have remained vacant for several years post-completion).

The absence of major office development is an indicator of low levels of office demand for larger floorplate offices and offices at upper levels.

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4.5. EMPLOYMENT AND FLOORSPACE PROJECTIONS

The future need for employment floorspace in Brunswick and Merri-bek was estimated as part of 'A Job in Moreland' which was prepared by id Consulting for Merri-bek in 2021.

Future employment growth and floorspace needs between 2020 and 2035 were estimated for the following two growth scenarios:

- **Scenario 1 (Base Case)**, which assumes:
 - No changes in policies or investment;
 - The economy returning to its pre-COVID position by 2035;
 - Downward trend in employment self-sufficiency continuing; and
 - Does not model the successful delivery of proposed economic development actions, policy intervention and infrastructure investment.
- **Scenario 2 (Growth Scenario)**, reflecting the aspiration to maintain employment self-sufficiency and assuming:
 - A higher rate of growth in strategic industries such as creative and professional services, especially in Brunswick where these jobs are clustered;
 - Multiplier effects from the above on other businesses (e.g. hospitality, retail and other services); and
 - Increased competitiveness of Activity Centres enabling a higher share of job growth, with less jobs occurring outside of defined employment precincts.

Employment floorspace projections are shown in Table 8 which result from the job projections.

For the Moreland Industrial Land Strategy (MILS) category that applies to the subject site (Category 2), it is estimated that additional employment floorspace needs over the fifteen year period will be between 1,383sqm and 2,581sqm.

T8. PROJECTED CHANGE IN EMPLOYMENT FLOORSPACE, BRUNSWICK MAC, 2020-2035

Area	Scenario 1 (Base Case)			Scenario 2 (Growth Scenario)		
	Commercial	Industrial	Total	Commercial	Industrial	Total
Brunswick MAC (sqm)	71,957	-85,160	-13,203	149,611	-84,201	65,410
<i>Commercial Area (sqm)</i>	59,253	-50,088	9,165	123,358	-49,194	74,164
<i>MILS Category 1 (sqm)</i>	11,321	-29,857	-18,536	23,672	-29,867	-6,195
<i>MILS Category 2 (sqm)</i>	1,383	-5,214	-3,831	2,581	-5,139	-2,558

Source: A Job in Moreland, id Consulting, 2021, Table 16 and Table 17, p.87-88.

These projections for the MILS areas appear to perpetuate the existing low levels of commercial floorspace and employment in these areas.

Of greater relevance is the overall projection for Brunswick Activity Centre of +3,213 commercial jobs over the 15 year period; 657 – 1,991 of which are 'commercial' jobs. At the floorspace density used in the report for commercial land uses (22sqm per job), this scale of commercial jobs growth would require 14,000 - 44,000sqm of commercial office space over 15 years (900 - 2,900sqm per annum).

T9. EMPLOYMENT PROJECTION, BRUNSWICK MAJOR ACTIVITY CENTRE, 2020-2035

Area	Scenario 1 (Base Case)			Scenario 2 (Growth Scenario)		
	Commercial	Industrial	Total	Commercial	Industrial	Total
Brunswick MAC	3,213	-355	2,858	6,915	-351	6,564
<i>Commercial Area</i>	2,671	-209	2,463	5,748	-205	5,543
<i>MILS Category 1</i>	479	-124	355	1,048	-124	923
<i>MILS Category 2</i>	63	-22	41	119	-21	97

Source: A Job in Moreland, id Consulting, 2021.

A Job in Moreland was also informed by interviews and think tank workshops with developers, researchers and planning experts provides to provide further detail about the office potential in Moreland now and in future.

The following extract provides insight into the current role of Brunswick's office market, which is primarily driven by small businesses and shared spaces:

"Today there is demand for small office suites and shared workplaces, but stand-alone office buildings are unlikely. A common reason for this put forward by respondents was that Moreland is not perceived as an inner fringe office location. Further, the relatively low rental rates do not generate the yield required to build large commercial office space like being delivered in Cremorne, Collingwood, Fitzroy and Abbotsford. This is consistent with the economic analysis that highlights the strong growth in small businesses which makes it hard for developers to find a major tenant to pre-commit." (p91).

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5. COMMENTARY AND FINDINGS

5.1. ROLE OF THE SUBJECT SITE

The subject site is a large, strategic site that is well placed to accommodate demand for a range of land uses, including residential, retail and commercial.

The Brunswick area contains many large former industrial sites that are being progressively converted to mixed use developments which include a combination of retail and office space at lower levels with housing above. In this sense, the subject site is not unique in its ability to accommodate employment floorspace, given that many other sites are able to deliver employment space at lower levels of mixed-use developments. It does have strategic advantages, however, including the large land area which provides opportunities to deliver larger floorplates and a range of retail and commercial uses. Proximity to the train station is also a major advantage, however this is equally (if not more) advantageous for residential land uses.

The economic analysis set out in this report confirms that relatively strong employment growth has occurred in the broader area of the subject site, and that moderate demand for commercial space is evident, however the demand profile is strongly weighted towards retail, hospitality, creative businesses and smaller professional services. These types of uses typically seek smaller ground floor premises.

It is considered that current rents and market conditions (including elevated vacancy rates) are unlikely to support stand-alone office buildings or even larger office tenancies / floorplates in Brunswick, meaning that development of the subject site will be most aligned to market needs if the focus of non-residential space:

- Is on the ground floor plane;
- Is attractive to smaller customer-focused businesses and professional services; and
- Is on providing services to residents, train station visitors and the surrounding activity centre users.

It is our view that the tenancy and land use mix included in the current proposal is well aligned with the current demand profile of the area.

If the policy objective of all ground floor and first floor spaces across the site being dedicated to employment uses were to be achieved, this would require large office floorplates to be delivered and leased at the first floor of each of the four buildings. In our view, this type of floorspace would not be strongly aligned to market needs, and therefore there would be the risk of this space remaining vacant for a period if delivered. To the extent that such vacancies present feasibility challenges to the developer, any delay in delivering viable mixed use buildings would result in a delay in delivering the Build-to-rent-to-own housing. This housing serves an important economic purpose in its own right by accommodating local labour which supports local business, enables talent attraction and enables key workers to live close to jobs in southern Merri-bek and nearby.

Overall, although the development proposal does not meet the specific quantitative planning policy requirement relating to the ratio of employment floor space to ground and first floor space, all economic objectives which formed the basis of the existing policy would be met and exceeded.

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5.2. CONCLUSIONS

The following conclusions are drawn from the preceding analysis:

1. The proposed development would achieve (and in many cases, exceed) the economic objectives of relevant planning policy, albeit without meeting the associated quantitative floorspace requirement.
2. The Brunswick area is experiencing relatively strong employment growth, driven primarily by retail, hospitality and professional services. The subject site has a role to play in accommodating further growth.
3. In the context of a site that has remained disused for many years, the proposed development would facilitate new employment and economic activity to the benefit of the Brunswick area and Merri-bek overall.
4. The subject site also has an important role to play in accommodating housing, including affordable housing, in a strategic location. Housing supports a local labour force which in turn supports local business and talent attraction and is important to the ability of key workers to live close to jobs in southern Merri-bek and nearby.
5. There is moderate demand for office space in Brunswick, however post-pandemic conditions and relatively high vacancy rates could limit demand and price growth in Brunswick in the short to medium term – other parts of the City Fringe are better placed to accommodate demand.
6. Demand for commercial space is clearly weighted to smaller tenancies and more relevant business types commonly seek ground floor spaces.
7. The proposed development plans would result in a tenancy mix that aligns with the expected business demand profile at the subject site. Larger first floor office floorplates would not be well-aligned to market needs at present.
8. On balance, the proposal would represent a positive economic outcome that is generally consistent with the economic objectives which underpin current local policy.

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APPENDICES

APPENDIX A FLOORSPACE BREAKDOWN BY LEVEL

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Row Labels	1. NLA OFFICE	1. NLA OFFICE COMMON AREA	2. NLA RETAIL	3. NSA RESIDENTIAL	4. P.O.S	5. ASSEMBLE COMMUNITIES	6. CIRCULATION, SERVICES, BICYCLE PARKING	7. CARPARKING	TOTAL
BASEMENT									
BASEMENT 01							1709.2	2934.1	4643.3
BASEMENT Total							1709.2	2934.1	4643.3
BUILDING 1									
GROUND FLOOR	624.6		498.9				276.9	112.4	1512.8
LEVEL 01				985.6	348.1		344.5		1678.2
LEVEL 02				887.2	249.6		316.5		1453.3
LEVEL 03				887.6	212.5		180.8		1280.9
LEVEL 04				736.7	182.7		361.1		1280.5
LEVEL 05				736.5	172.9		181.9		1091.3
LEVEL 06				736.7	172.6		181.9		1091.2
LEVEL 07				530.6	147		412.7		1090.3
LEVEL 08				511.5	134.4		146.2		792.1
LEVEL 09				303.1	61.3		395.3		759.7
LEVEL 10				301.9	61.8		131.3		495
ROOF							474.8		474.8
BUILDING 1 Total	624.6		498.9	6617.4	1742.9		3403.9	112.4	13000.1
BUILDING 2									
GROUND FLOOR	531.2	155.8	279.8				163.2		1130
LEVEL 01				721.6	301.4		217.8		1240.8
LEVEL 02				721.5	124.8		148.6		994.9
LEVEL 03				638.2	111.9		244.8		994.9
LEVEL 04				616.5	120.2		143.1		879.8
LEVEL 05				561	95.6		194.3		850.9
LEVEL 06				560.9	95.4		139.1		795.4
LEVEL 07				552.1	103.7		139		794.8
LEVEL 08				228.5	35.8		508.3		772.6
LEVEL 09							357.5		357.5
BUILDING 2 Total	531.2	155.8	279.8	4600.3	988.8		2255.7		8811.6
BUILDING 3									
GROUND FLOOR	732.8	122.6	79.8			104.1	311.7		1351
LEVEL 01				831.8	326.2		287.3		1445.3
LEVEL 02				823.5	148.5		148		1120
LEVEL 03				643.3	102.9		321.1		1067.3
LEVEL 04				642.6	103.4		142.9		888.9
LEVEL 05				408.2	91.4		390.3		889.9
LEVEL 06				408.2	70.2		133.7		612.1
LEVEL 07				142.8	31.2		434.7		608.7
LEVEL 08							282.7		282.7
BUILDING 3 Total	732.8	122.6	79.8	3900.4	873.8	104.1	2452.4		8265.9
BUILDING 4									
GROUND FLOOR	298.3		479.6				247.7		1025.6
LEVEL 01				567.5	205.2		315.6		1088.3
LEVEL 02				503.3	122		231.8		857.1
LEVEL 03				502.7	122.1		130.6		755.4
LEVEL 04				502.9	122		130.8		755.7
LEVEL 05				420	74		261.7		755.7
LEVEL 06				420.6	73.9		117.3		611.8
LEVEL 07				420.8	73.7		117.3		611.8
LEVEL 08				419.8	74		118.1		611.9
LEVEL 09				347.7	64.2		199.5		611.4
LEVEL 10							523.2		523.2
BUILDING 4 Total	298.3		479.6	4105.3	931.1		2393.6		8207.9
TERRACES									
GROUND FLOOR							145.7		145.7
TERRACES Total							145.7		145.7
TOTAL	2186.9	278.4	1338.1	19223.4	4536.6		12214.8	3046.5	43074.5

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APPENDIX B ASSESSMENT OF SUBJECT SITE PROPOSAL AGAINST POLICY TARGETS

T10. SITE AREA AND FLOORSPACE METRICS COMPARISON

Row	Item	Development Proposal (Net Floorspace) ¹	Development Proposal (Gross Building Area)
A	Site area (sqm) ²	7,306	
B	Total employment floorspace (sqm)	3,803	5,019
C	<i>Total Office Floorspace</i>	2,465	2,465
D	<i>Total Retail Floorspace</i>	1,338	1,338
E	<i>Circulation, services, bike parking, car parking and assemble communities floorspace associated with employment uses</i>	N/A	1,216
F	Ground floor and first floor floorspace (sqm)	6,910	10,472
G	Ratio of employment floorspace to ground & first floor space	55%	48%
H	Employment floorspace to site area ratio	52%	69%

Source: Urban Enterprise, 2024; figures derived from VSB Development Summary Worksheet, Fieldwork, 29 July 2024.

Net floorspace figures exclude floorspace relating to P.O.S, Assemble Communities, circulation, services, bicycle parking and car parking.

Derived from Development Summary, 342-348 Victoria Street Brunswick Town Planning Architectural Drawing Set, Fieldwork, 6 February 2024.

Row B = Row C + Row D. Row G = Row B / Row F. Row H = Row B / Row A.

T11. EMPLOYMENT SELF SUFFICIENCY, MERRI-BEK, 2021

Row	Indicator	Result
A	Total Jobs	44,261
B	Total Employed Residents	93,053
C	Employment Self Sufficiency Ratio	48%

Source: Urban Enterprise, derived from ABS Census of Population and Housing, 2021. Note: Row C = A / B.

T12. EMPLOYMENT AND SELF SUFFICIENCY METRICS

Row	Indicator	Development Proposal (Net Floorspace)
A	Number of dwellings	284
B	Estimated average household size ¹	1.7
C	Total residents	479
D	Estimated proportion of employed residents ²	66%
E	Total employed residents	314
F	Employment floorspace (sqm)	3,803
G	<i>Total Office Floorspace (sqm)</i>	2,465
H	<i>Total Retail Floorspace (sqm)</i>	1,338
I	Floorspace per office job benchmark	20sqm
J	Floorspace per retail job benchmark	30sqm
K	Supportable jobs	168
L	Employment self-sufficiency ratio	53%
M	Site area (ha)	0.73
N	Employment density (jobs per ha)	230

Source: Urban Enterprise, 2024. Notes and sources:

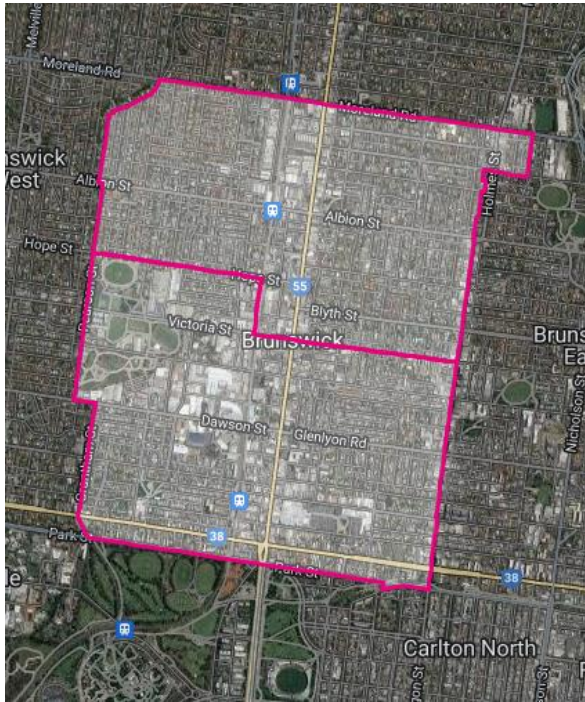
¹ Derived from ABS Census - average household size by number of bedrooms in dwelling, Brunswick - South SA2, 2021.

² Derived from ABS Census of Population and Housing - employed residents as a proportion of total population, Brunswick South SA2, 2021

Row C = A * B, Row E = C * D, Row J = (G * I) + (H * J), Row L = K / E, Row N = K / M

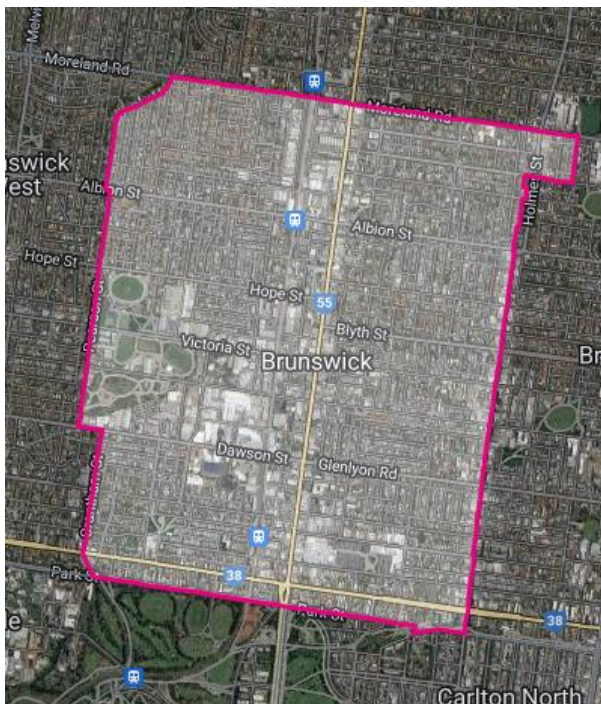
APPENDIX C DATA AREAS

F4. BRUNSWICK SOUTH SA2 AND BRUNSWICK NORTH SA2 (2021)



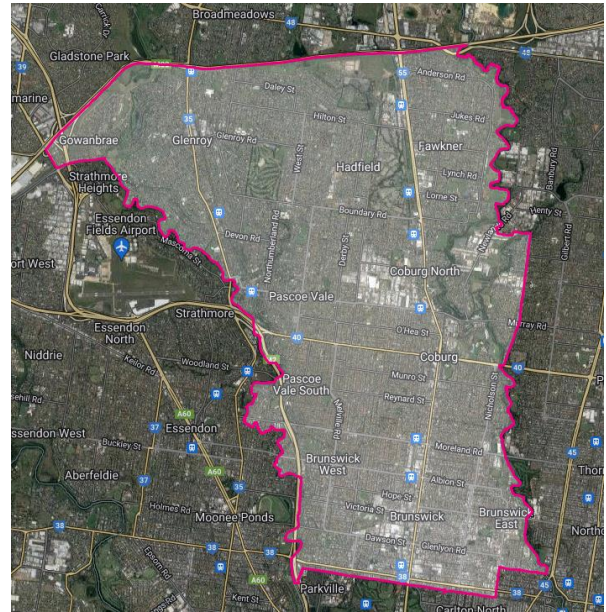
Source: REPLAN Map Builder

F5. BRUNSWICK SA2 (2011 AND 2016)



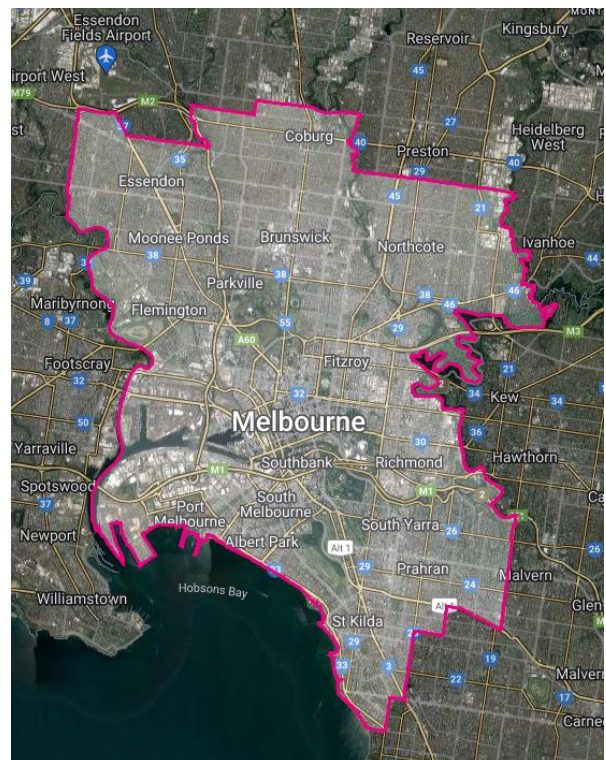
Source: REPLAN Map Builder

F6. MERRI-BEK LGA



Source: REPLAN Map Builder

F7. INNER MELBOURNE SA4



Source: REPLAN Map Builder

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