Bayswater / Bayswater North Industrial Area Strategy

Final Report

APRIL 2002 (Updated August 2003)

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Acknowledgements

This document was prepared by SGS Economics & Planning with the assistance of LandMark White. Funding was provided by Knox, Maroondah and Yarra Ranges Councils and the Department of Innovation, Industry and Regional Development.

The study team gratefully appreciates the contribution made by the project steering committee (Knox, Maroondah and Yarra Ranges Councils and Jobs East) and the many businesses and public sector agencies that assisted in the preparation of this document.

A special thanks goes out to the three councils and Siemens Ltd for hosting meetings for this study. The Department of Natural Resources and Environment provided an electronic cadastral map that assisted in site survey work. Most maps shown in the report use Melway on Disk.

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Volume 1 - Strategic Action Plan

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EXECUTIVE SUMMARY

Report:	Bayswater / Bayswater North Industrial Area Strategy ▪ Volume 1 – Strategic Action Plan (this report) ▪ Volume 2 – Background Report
Commissioned By:	▪ Knox, Maroondah and Yarra Ranges Councils and Department of Innovation, Industry and Regional Development
Produced By:	▪ SGS Economics & Planning with direction from Knox, Maroondah and Yarra Ranges Councils and Jobs East
Aim and Objectives: Key Findings:	▪ To document land use, economic and business dynamics and issues in the study area in order to establish an Action Plan that will enable participating Councils and other stakeholders to work together in a coordinated fashion in pursuit of business development and jobs growth. Actions seek to: ▪ Boost the competitive advantage of the study area as a business address; and ▪ Assist businesses to grow and be more competitive and generate jobs in the region. ▪ The study area is a highly important business and employment node in outer eastern Melbourne. It comprises 30% to 40% of the economy of the three Councils based on a range of indicators. ▪ The study area is a 'traditional' industrial area providing an outlet for industrial activities and bulky goods retail / sales in eastern Melbourne. Its role in a metropolitan context is defined by its large size and relative isolation from other industrial areas. ▪ The study area is made up of distinct precincts that have evolved over time. The study area should therefore not be seen as a homogeneous industrial whole. Some issues are particular to precincts whilst other are generic to the whole area.
Action Plans:	Eight Action Plans are established for the study area: 1. Precinct Planning and Development 2. Site Redevelopment and Consolidation 3. Streetscape, Environment and Infrastructure Improvement 4. Healesville Freeway Land Optimisation 5. Bayswater Industrial Area Action Group 6. Investment Attraction and Regional Marketing 7. Business Consultation Panel 8. Industry Development Advice

1 INTRODUCTION

1.1 Background

The Bayswater / Bayswater North industrial area (hereafter called Bayswater industrial area only) in outer eastern Melbourne is of regional significance. The area - which spans the municipalities of Knox, Maroondah and Yarra Ranges - accommodates 1,873 businesses and about 35,500 jobs over approximately 735 hectares. The study area is shown in Map 1.

The study area comprises small service industry establishments to large nationally significant business operations and represents a major economic and employment cluster in the eastern region of Melbourne. Strategies to attract new investment and jobs and help existing businesses grow and be more competitive are key objectives of the three participating Councils and the Department of Innovation, Industry and Regional Development.

1.2 Aim and Objectives

The aim of this report is to document land use, economic and business dynamics and issues in the study area and to present an Action Plan that will enable participating Councils and other stakeholders to work together in a coordinated fashion in pursuit of business development and jobs growth. Actions seek to:

- Boost the competitive advantage of the study area as a business address; and
- Assist businesses to grow and be more competitive and generate jobs in the region.

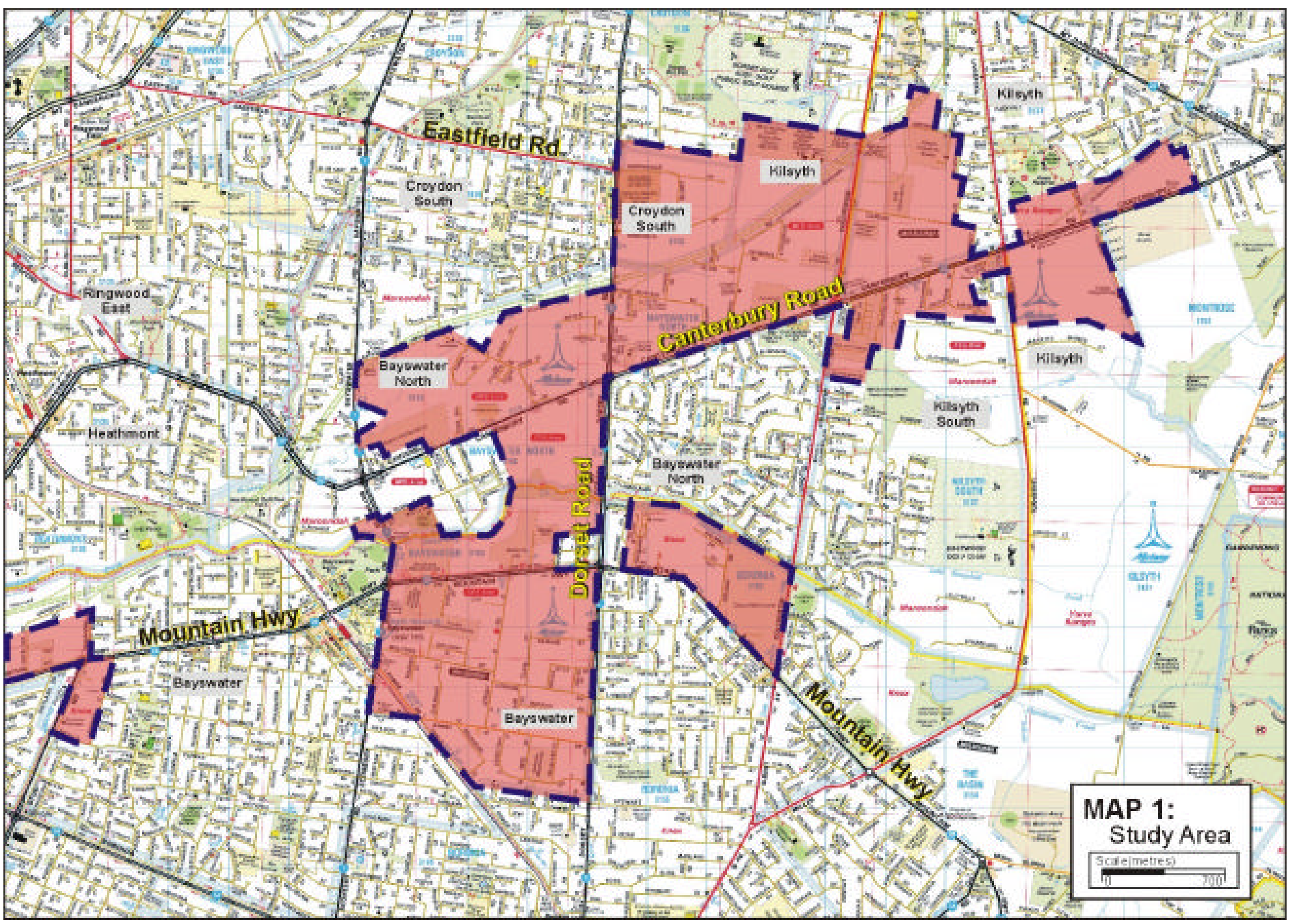
This Action Plan is an initiative of the Knox, Maroondah and Yarra Ranges Councils and the Department of Innovation, Industry and Regional Development. The aim and objectives of the project as documented in the study brief are as follows.

Aim

The aim of the project is to gather intelligence about existing industrial activities in the study area and the emerging broader trends in industrial activity. This information will guide the development of urban planning and economic development policies for the participating Councils.

Objectives

- To provide a land use and economic/investment analysis of the existing activities in the study area, including any significant industry clusters or trends;
- To identify ways to support and encourage business retention, growth and employment opportunities in the study area in accordance with the objectives stated in the participating Council's policy documents; and
- To develop a better understanding of what attracts and will continue to attract, new and suitable business to the study area.



1.3 Methodology

The study process involved three broad phases as follows.

- Research / Background Audit – This was undertaken to understand the study area and its key issues. This involved literature review, economic analysis, site survey / existing conditions survey and property market analysis.

- Consultation / Business & Skills Analysis – This was undertaken to build on the research information and to develop ideas for the action plans. This involved consultation with 25 organisations (business, government and regional development organisations).

- Strategy Development - This stage involved the identification and refinement of action plan options. Options were developed and circulated to stakeholders for review and formed the content of a review workshop.

1.4 Report Structure

This report has two Sections following this introduction:

- Section 2 – Principal Findings and Issues; and
- Section 3 – Strategic Action Plan.

Volume 2 Background Report provides detailed information on the study tasks and outputs. Sections 2 and 3 of this volume draw out the key themes and findings of the research and consultation documented in the Background Report.

2 PRINCIPAL FINDINGS AND ISSUES

2.1 The Regional Context

The regional area of Knox, Maroondah and Yarra Ranges is a significant part of the Melbourne economy. It accommodates about 8.4% of Melbourne's jobs (121,718) and contributes about the same proportion to its total output ($11,120m).

The study area has access to a large regional population and labour pool. The region accommodates about 11.8% of the metropolitan area's workforce (194,832) and 11.2% of its residents (375,912). With 73,114 fewer jobs than workers, the region is a net exporter of workers.

The skills strength of the region is in trade / vocational occupations (but it has access to a large pool of professional workers in adjacent suburbs closer to the city centre). Research suggests that there are skills gaps in some specialist trade and professional fields. This issue is likely to intensify in the future.

About 20% of the region's jobs are generated by exports (inter-regional and international) (2001 data, up from 17% in 1996). The sectors that are considered to be the main international exporters in the region are in a range of manufacturing sectors and to a lesser extent primary production, services and tourism.

Sectors that are important for generating a large number of jobs are typically found in population-driven sectors like retailing and services and some production sectors.

A synthesis of key facts and figures regarding the regional economy, and an indication on how the study area relates to this, is shown on the chart overleaf.

REGIONAL ECONOMY

Based on 2001 data unless otherwise stated

Output:

$11,120m (8.4% of metropolitan total)

$8,063m (industry output not including housing and government; 7.7% of metro.)

Jobs:

121,718 (8.4% of metropolitan total)

20% of jobs generated by inter-regional / inter-national exports (17% in 1996)

Job Growth:

2.2% per annum between 1996 and 2001 (vs. 2.8% per annum for Melbourne)

6.3% per annum between 1986 and 1996 (vs. 1.6% per annum for Melbourne)

Key Export Sectors:	***Significant Representation in Study Area?***
Petro-chemicals	✓
Machinery & equipment products	✓
Wood & paper products	✓
Metal products	✓
Printing, publishing and recorded media	✓
Food, beverage & related products	✓
Non-metallic mineral products (eg. ceramics, cement)	✓
Textile, clothing, footwear & leather products	✓
Other - electronics, agriculture, tourism	

Key Job Generating Sectors:	
Retail Trade	
Health & Community Services	
Manufacturing	✓
Property & Business Services	✓
Education	
Wholesale Trade	✓
Personal & Other Services	
Accommodation, Cafes & Rest.	
Transport & Storage	✓

Population and Skills:

375,912 residents (11.2% of metropolitan total)

194,832 workers (11.8% of metropolitan total)

Skills strength in trade / vocational workers but weak in professionals

2.2 The Study Area in Overview

The study area is a 'traditional' industrial area providing an outlet for industrial activities and bulky goods retail / sales in eastern Melbourne. Its role in a metropolitan context is defined by its large size and relative isolation from other industrial areas. It provides a home to businesses that serve the eastern region market and those that draw upon the region's large pool of workers. Big firms are attracted by this latter aspect and good and improving road links to the central city and beyond.

Key facts and figures regarding the study area are provided in the following chart. Map 2 provides a generalised synthesis of industrial land holdings across Melbourne, and shows that Bayswater performs a number of roles for the eastern region of Melbourne.

2.3 Land, Precincts and Infrastructure

The main facts and issues regarding the study area's land resources and precinct character are summarised below.

The study area covers approximately 735 hectares of industrial land, or about 3.2% of the metropolitan total (23,025 ha), 24% of eastern Melbourne's stock (3,112 ha) and 42% of the regional stock (1,767 ha).

The study area is made up of district precincts that include:

- Small factory (or 'factoryette') clusters;
- High amenity industrial / business park estates;
- The Canterbury Road bulky goods retail / showroom strip;
- Big plants / factories; and
- Vacant sites and redevelopment sites.

STUDY AREA

Based on 2001 / 02 data unless otherwise stated

Industry Output:

$2079.2m (approx. 26% of regional total; 1.9% of metropolitan total)

Jobs:

35,500 (approx. 29% of regional total; 2.5% of metropolitan total)

Businesses:

1,873 businesses (0.9% of metropolitan total)

Land Resources:

735 hectares of industrial land

42% of regional total

24% of Eastern Region Melbourne total (see p8 of Appendix 2 report for details)

3.2% of metropolitan total

253 vacant buildings or sites

Vacant greenfield land = 89 hectares or 11 years supply

Vacant building and redevelopment sites = 30 hectares

Healesville Freeway area = 47 hectares

Key Study Area Activities:

Motor vehicle related works

Metal / machinery / vehicle production

Construction / trade / timber services and production

Petro-chemical / pharmaceutical production

Business services / printing / wholesaling

Other / electronics

Main Building Forms:

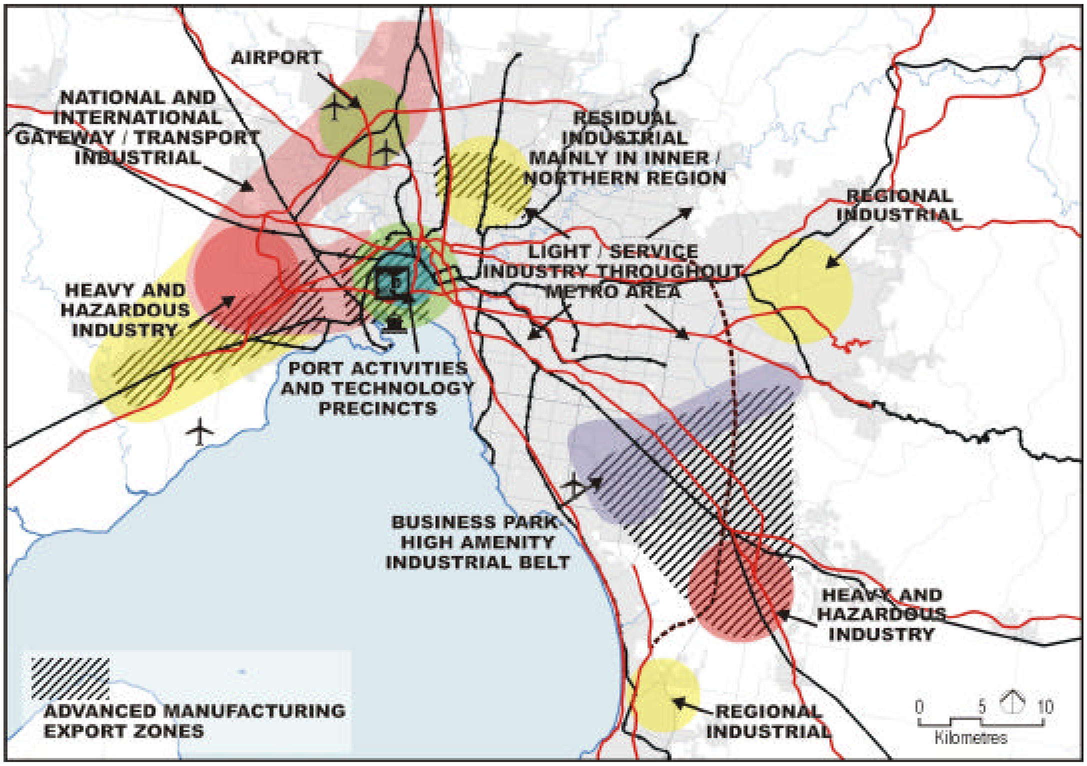
Stand alone factory (or workshop)

Combined factory / warehouse / office

Combined warehouse / office

Combined factory / warehouse

Other



Map 2. Notional Industrial Areas

The study area has vacant land and vacant building stock which can contribute to significant employment growth. Some **8,580** more jobs could be created within the study area if land resources were used to potential.

This estimate was derived using observed establishment / employment / land ratios for development opportunities as follows:

- 89 hectares of (greenfield) unencumbered vacant industrial land could deliver in the order of 4,600 jobs;
- 30 hectares of (brownfield) vacant building / redevelopment sites could deliver an additional 1,550 jobs; and
- 47 hectares of (encumbered greenfield) land that is shown as a possible Healesville Freeway route within the study area (almost all of which is zoned industrial) could deliver an additional 2,430 jobs.

Site and building fragmentation is a significant issue in the study area. Small vacant buildings lock away considerable land stock across the study area.

Of the brownfield sites, 46% are less than 1,000 sqm, 24% between 1,000-2,000 sqm, 20% between 2,000-5,000 sqm and 11% above 5000 sqm.

The study area has a mixture of building forms on a precinct basis. Older premises are predominantly of a factory nature but newer premises tend to have a mixture of office, warehouse and factory space. Some large businesses indicated that new space requirements would be primarily office in the future. Popular building forms are shown in the chart above.

Demand for new premises is mainly driven by businesses already located in the region that seek to expand or upgrade their premises. Buyers typically favour lots of between 2,000 sqm and 10,000 sqm.

A poor perception of transport access, congestion and limited exposure inhibits investment interest from externally located businesses. However, the area has improving access to major road links (mainly relating to the current Eastern Freeway extension and the planned Scoresby Freeway development).

Some businesses cited a poor quality streetscape appearance and a poor image as issues public sector agencies could help address.

A significant issue in the study area concerns intrusion of non-industrial land uses, especially retail and showroom activities, into industrial areas. This form of development is supported along Canterbury Road by the policy directions of Maroondah Council. However, more extensive intrusion should be avoided.

Open space links such as creek lines and the natural environment relating to the bush character of the Dandenong Ranges foothills was cited as being one of the study area's existing and potential strategic advantages as a business location.

Consultation with businesses also revealed that there is a degree of concern regarding the reliability of electricity supply and the choice of information technology & telecommunications services.

The main spatial findings of the study are shown on Maps 3 and 4 below. Map 3 provides a spatial synthesis minus the impact of retail clusters in the study area. Map 4 shows the location of the retail clusters (in indicative terms).

2.4 Business and Skills

The main findings and issues relating to business and skills topics are summarised below.

The study area has 1,873 businesses, most of which serve the regional population. This comprises 0.9% of Melbourne's total business stock (205,647). The main business groups are shown in the Study Area chart above.

About three-quarters of businesses surveyed said they have some form of business relationship with other firms in the immediate area. Strategic relationships (ie. those involving core business inputs / outputs in the value adding process) are more commonly found in metals / engineering sectors.

The study area has in the order of 35,500 jobs. This represents 29% of the total job stock in the three municipalities of Knox, Maroondah and Yarra Ranges, and about 2.5% of Melbourne's total jobs pool.

Most of the study area's job stock is provided by small and medium sized firms. A small number of large firms (about 5) employ roughly 10% of the study area's workers directly and many more indirectly through supply chain networks.

The study area contributes to $2,079m worth of output. This represents 26% of total industry output from the three municipalities of Knox, Maroondah and Yarra Ranges (which is $8,063m not including housing, government and tax related output), and about 2% of Melbourne's total industry output.

Some business sectors are experiencing significant import / competitiveness pressures (eg. wood / furniture businesses). Lack of global competitiveness and failure to develop an inter-regional or international export orientation threatens the viability of some businesses.

The study area is a small business capital. Its large quantum of small business premises (and access to an extensive eastern region market) provides regionally based small business operators with a place to start / base an industrial business.

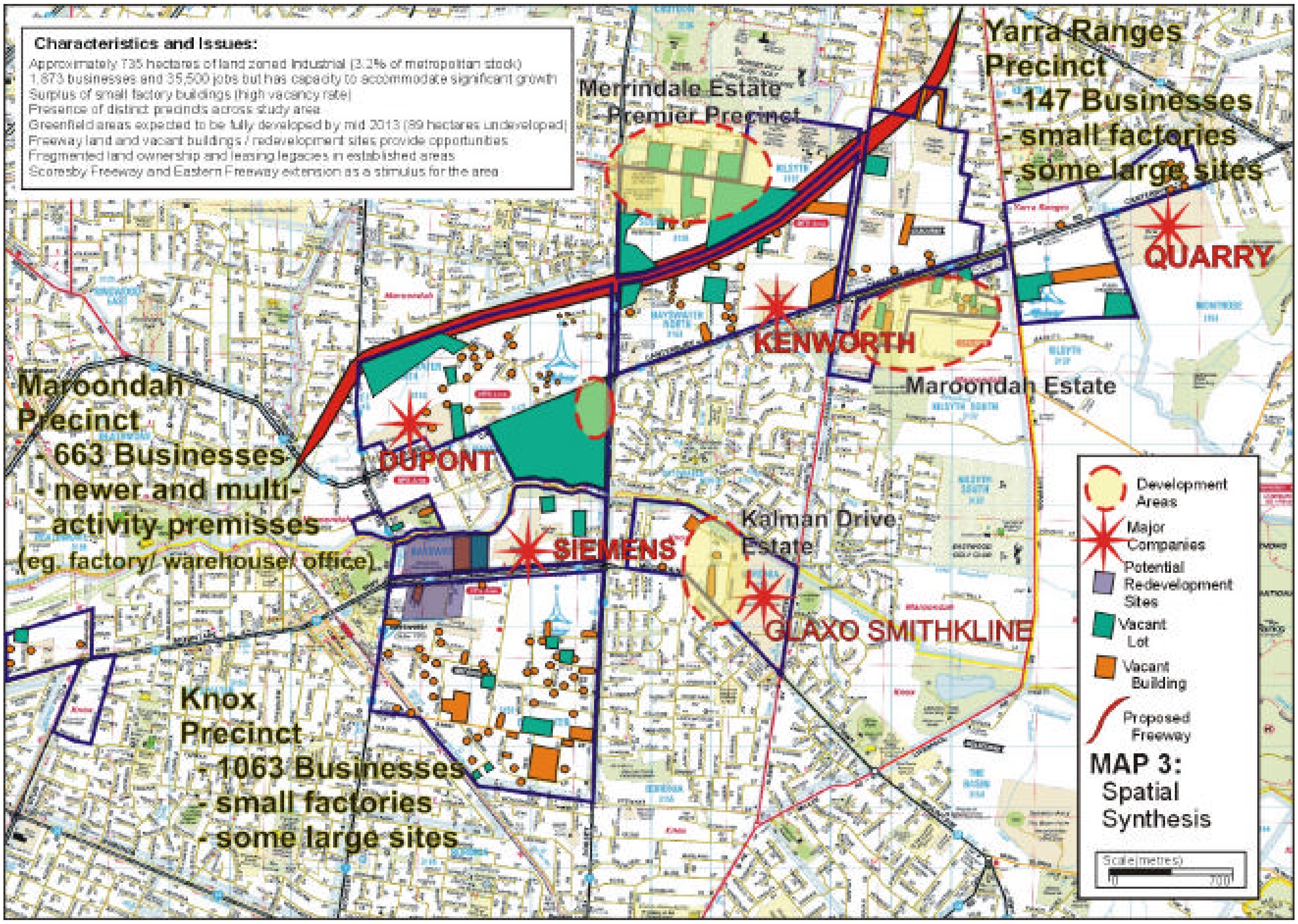
2.5 Existing Policy Objectives

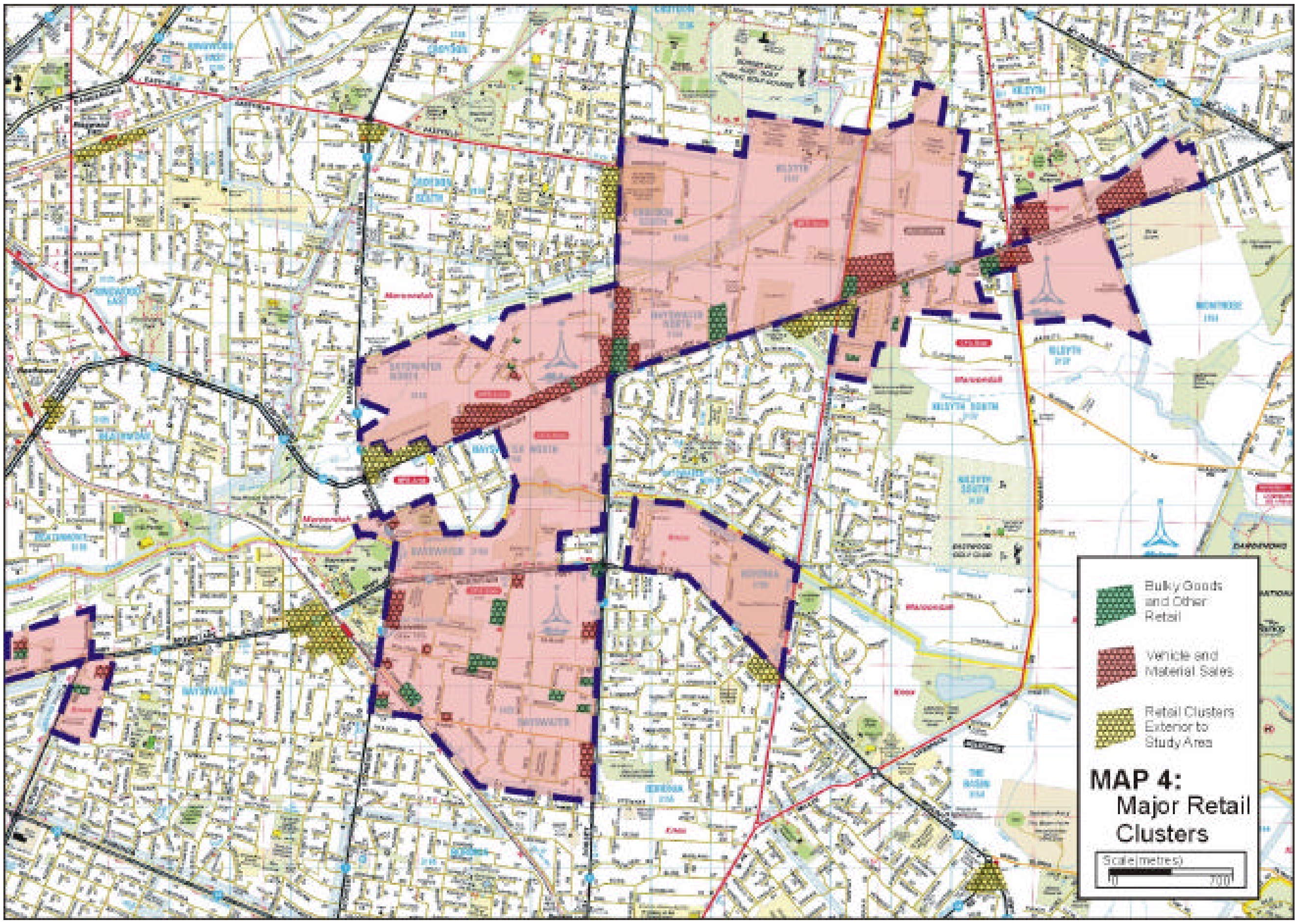
The economic policy objectives for the study area are to:

- Generate jobs;
- Attract new investment from existing and new businesses;
- Facilitate development of businesses that service the region;
- Build on local / regional economic strengths; and
- Ensure sustainability.

Specific land use objectives are to:

- Ensure a high quality industrial appearance;
- Ensure effective interfaces between industrial and surrounding land uses;
- Protect industrial land stocks from intrusion of non-industrial uses; and
- Redevelop under-utilised industrial land stocks.


Characteristics and Issues:
Approximately 735 hectares of land zoned Industrial (3.2% of metropolitan stock)
1,873 businesses and 35,500 jobs but has capacity to accommodate significant growth
Surplus of small factory buildings (high vacancy rate)
Presence of distinct precincts across study area
Greenfield areas expected to be fully developed by mid 2013 (89 hectares undeveloped)
Freeway land and vacant buildings / redevelopment sites provide opportunities
Fragmented land ownership and leasing legacies in established areas
Scoresby Freeway and Eastern Freeway extension as a stimulus for the area
Merrindale Estate
Premier Precinct
Yarra Ranges Precinct
- 147 Businesses
- small factories
- some large sites
QUARRY
KENWORTH
Maroondah Estate
Maroondah Precinct
- 663 Businesses
- newer and multi-activity premisses
(eg. factory/ warehouse/ office)
DUPONT
SIEMENS
Kalman Drive Estate
GLAXO SMITHKLINE
Knox Precinct
- 1063 Businesses
- small factories
- some large sites
Development Areas
Major Companies
Potential Redevelopment Sites
Vacant Lot
Vacant Building
Proposed Freeway
MAP 3:
Spatial Synthesis
Scale(metres)
0
700


Bulky Goods and Other Retail
Vehicle and Material Sales
Retail Clusters Exterior to Study Area
MAP 4:
Major Retail Clusters
Scale (metres)
0
700

3 STRATEGIC ACTION PLAN

Eight action plans have been established for the study area's planning and development based on the research and consultation undertaken for this study.

The actions recognise that councils have limited resources and influence to undertake industrial planning and economic development initiatives independently. On this basis, actions that are outside the direct sphere of local government influence seek to engage other organisations (ie. other levels of government, existing regional development organisations and private sector leaders) as implementation agents with councils acting as the facilitator, co-ordinator and support provider. Councils are proposed to take a primary implementation role in actions that are within the primary domain of local government activity and influence.

The action plans take two themes:

- Making the most of land resources and improving physical infrastructure (this concerns the first four actions); and
- Facilitating business development (this concerns the last four actions).

The action plans are:

1. **Precinct Planning and Development**
2. **Site Redevelopment and Consolidation**
3. **Streetscape, Environment and Infrastructure Improvement**
4. **Healesville Freeway Land Optimisation**
5. **Bayswater Industrial Area Action Group**
6. **Investment Attraction and Regional Marketing**
7. **Business Consultation Panel**
8. **Industry Development Advice**

3.1 Strategic Action Plan 1 - Precinct Planning and Development

3.1.1 Task in Overview

To establish a strategic land use plan that clearly articulates the intentions for precincts within the study area (and hence the study area as a whole) in a co-ordinated fashion across the three municipal areas.

3.1.2 Rationale

The study area is a 'traditional' industrial area providing an outlet for a wide variety of industrial and retail / wholesale trade activities in eastern Melbourne. It is made up of distinct precincts that have evolved over time. The study area should therefore not be seen as a homogeneous industrial whole. The precincts can be summarised as:

- Small factory (or 'factoryette') clusters;
- High amenity industrial / business park estates;
- The Canterbury Road bulky goods retail / showroom strip;
- Big plants / factories; and
- Vacant sites and redevelopment sites.

(See Section 6.3 of Volume 2 and the Appendix 2 report for more information on the nature of the study area).

Key issues affecting the study area and its precincts are:

- Uncoordinated development;
- Existing and potential interface conflicts in operations and image between precincts within the study area and between precincts and surrounding land uses (eg. residential);
- Subdivision of sites / buildings into small lots / premises (of which there is a surplus and high vacancy); and
- Intrusion of non-industrial uses into the study area, especially retail / wholesale trade activities.

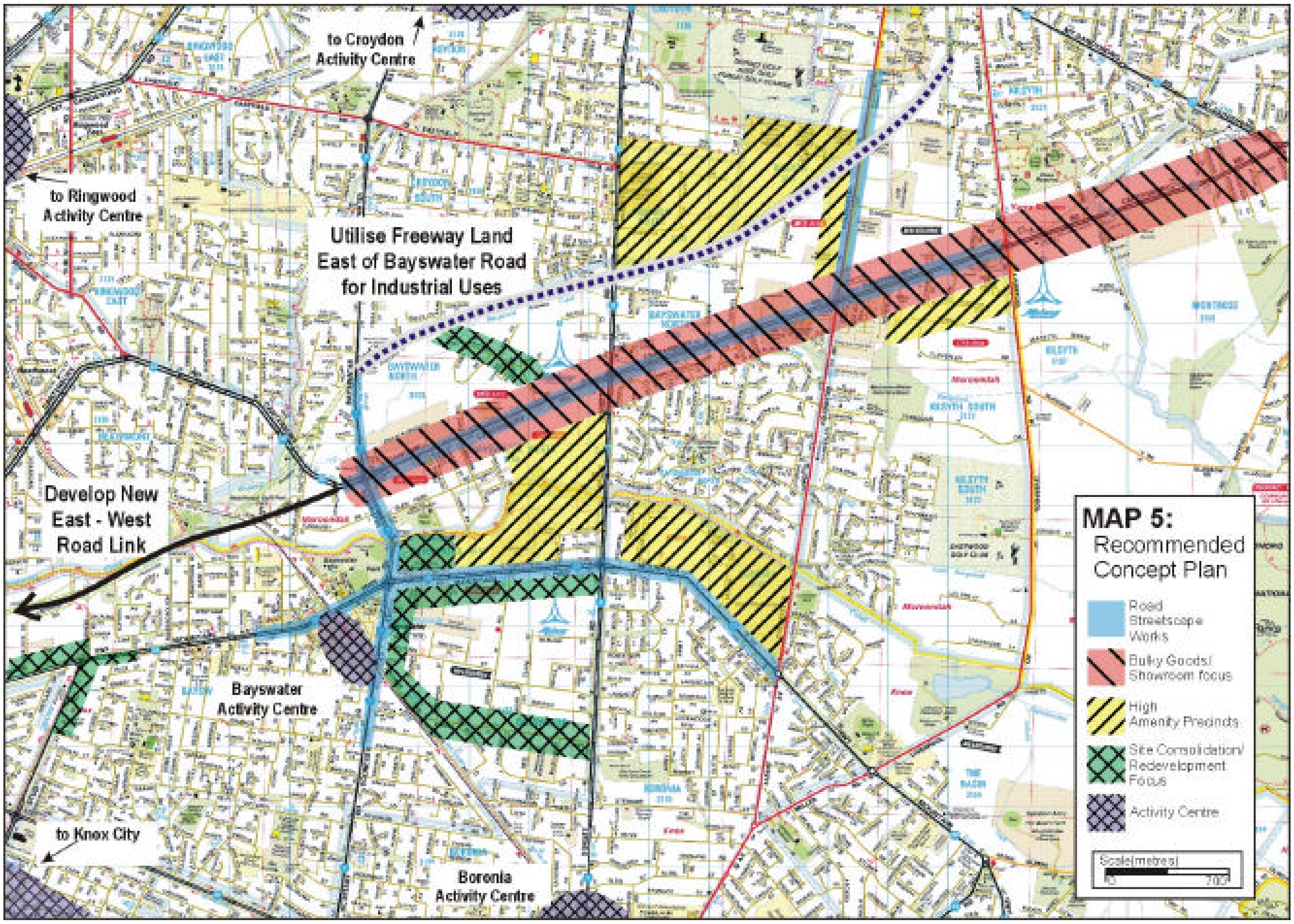
These issues are complicated by the precinct nature of the study area and the fact that the area straddles three municipalities (Knox, Maroondah and Yarra Ranges).

Based on these issues, the study area would benefit greatly from a long-term strategic land use plan that clearly articulates the intentions for precincts and the study area as a whole in a co-ordinated fashion. An overall (precinct-based) strategic plan should be used not only to guide development outcomes but also to develop investment attraction strategies and to address site fragmentation, interface and intrusion issues.

3.1.3 Recommendations

It is recommended that a strategic land use plan be established, following the directions shown by Map 5 overleaf. This should clearly articulate the intentions for precincts within the study area and should set clear planning, development, marketing and investment attraction directions. The recommended precinct plan involves measures to:

- Minimise non-industrial (especially retail) intrusion into the study area by limiting this activity to the Canterbury Road frontage only.
- Promote development of high amenity industrial estates in selected precincts and main road frontages. Provide for site sizes that are in demand by industrial space users (ie. 2,000 sqm to 10,000 sqm). Avoid further fragmentation of sites and buildings within these precincts.
- Establish mechanisms to minimise the potential for inter-business and inter-land use conflicts.
- Improve the appearance and image of selected precincts, gateways and main roads as shown (see also Action Plan 3).
- Make better use of existing vacant factoryettes and under-utilised sites by facilitating site consolidation /redevelopment targeting the areas shown (see also Action Plan 2).
- Make better use of Healesville Freeway land (see also Action Plan 4).
- Retain other components of the study area for a mix industry uses and development.


to Croydon
Activity Centre
to Ringwood
Activity Centre
Utilise Freeway Land
East of Bayswater Road
for Industrial Uses
Develop New
East - West
Road Link
Bayswater
Activity Centre
to Knox City
Boronia
Activity Centre
MAP 5:
Recommended
Concept Plan
Road
Streetscape
Works
Bulky Goods/
Showroom focus
High
Amenity Precincts
Site Consolidation/
Redevelopment
Focus
Activity Centre
Scale(metres)
0
700

3.1.4 Actions

Task	Responsibility	Resourcing (Indicative)	Timing
Using the recommended plan shown above as a base, establish a strategic plan (with planning directions / polices) for study area precincts (in consultation with land owners and other stakeholders as required). Incorporate precinct objectives / directions into relevant policy and strategy documentation.	Knox, Maroondah and Yarra Ranges Councils combined with Department of Infrastructure.	Internal planning and economic development department time.	6 months.
Utilise relevant Victorian Planning provisions to implement precinct directions.	Knox, Maroondah and Yarra Ranges Councils independently with Department of Infrastructure.	Internal planning department time.	6 months +.

3.2 Strategic Action Plan 2 - Site Redevelopment and Consolidation

3.2.1 Task in Overview

To facilitate redevelopment of under-utilised sites (and parts of sites) and clusters of unoccupied small buildings (or factoryettes) consistent with precinct objectives.

3.2.2 Rationale

The study area covers approximately 735 hectares of industrial land, or about 42% of industrial land within the three municipalities. The study area is highly significant in an eastern Melbourne context.

Vacant land stock is limited. The study area has about 89 hectares of unencumbered vacant industrial land, or about 11 years supply from 2002 (it is estimated that this land can deliver in the order of 4,600 jobs). It is imperative that the most is made from all of the study area's land resources, including under-utilised sites and vacancies.

The study area has significant vacant building stock. Most of the under-utilised sites are either small 'factoryettes' or large special / single purpose buildings. Factoryettes in particular lock up significant land stock and inhibit development and jobs growth. Of the vacant buildings, 46% are less than 1,000 sqm, 24% between 1,000-2,000 sqm, 20% between 2,000-5,000 sqm and 11% above 5000 sqm.

It is estimated that that study area has 30 hectares of vacant building sites (small and large). This could deliver an additional 1,550 jobs. Further business development and employment growth could be facilitated over and above this level by enabling businesses to expand onto under-utilised adjacent sites where development is constrained.

Furthermore, redeveloping sites and where necessary consolidating factoryettes for redevelopment can be used to improve the amenity and image of precincts.

3.2.3 Recommendations

It is recommended that councils facilitate redevelopment of under-utilised sites / buildings and clusters of small sites / buildings for larger scale development. Site consolidation should:

- Focus on the precincts / main road frontages identified in Action Plan 1;
- Seek to create lots of between 2,000 sqm and 10,000 sqm or other sizes specified by industrial land experts; and
- Seek to improve the amenity and image of precincts consistent with precinct objectives.

It is recommended that a site redevelopment / consolidation incentives package be prepared to assist achievement of these objectives and that councils consider use of, but not be limited to, rate holidays, fee exemptions, streamlined approvals and marketing assistance.

3.2.4 Actions

Task	Responsibility	Resourcing (Indicative)	Timing
Identify target sites for redevelopment / consolidation facilitation (using the precinct plan as a guide).	Knox and Maroondah Councils.	Internal.	3 months.
Prepare a site redevelopment / consolidation incentives package.	Knox and Maroondah Councils independently or combined, in consultation with Department of Infrastructure Planning, Vic Roads, property agents and land owners.	Internal plus consulting budget to assist development of the package of $20,000.	3 – 9 months.
Liase with stakeholders (eg. property owners, developers, agents and businesses) to promote desired outcomes.	Knox and Maroondah Councils independently or combined, in association with other organisations as required.	Internal.	Ongoing.

3.3 Strategic Action Plan 3 – Streetscape, Environment and Infrastructure Improvement

3.3.1 Task in Overview

To prepare and implement a plan to improve the streetscape, environment and infrastructure of the study area, consistent with precinct objectives.

3.3.2 Rationale

It is recommended that a precinct based planning and development strategy be developed in accordance with the indicative plan shown in Action Plan 1. A supporting element of that plan is targeted site redevelopment facilitation, as shown by Action Plan 2. Another important supporting element is provision and maintenance of appropriate streetscapes, business practices and infrastructure works in accordance with precinct objectives. This is the subject of this action plan.

Quality public and private realms are rated highly by firms, especially large firms. However, parts of the study area currently present a poor quality public-private domain and poor image and branding. This is a concern to some large study area businesses, which cited improvements to roads and streetscapes as priorities.

A number of the streetscapes, including those along major arterial roads are of poor standard (in terms of state of repair and appearance). This impacts on the image and prestige of areas, and hence the capacity of these areas to attract and retain businesses.

Open space links such as creek lines and the natural environment relating to the bush character of the Dandenong Ranges was cited as being one of the study area's existing and potential strategic advantages as a business location. Study area precincts should be positioned as leafy, high amenity estates to provide a point of differentiation with other industrial locations across the State. (Works to this end are recommended but significant parts of the study area should retain a functional industrial character).

It has been reported that some firms, especially small 'service' industry firms, discharge wastes into stormwater drainage systems. This practice is a threat to the immediate and wider environment and actions to avoid this practice should be undertaken.

Consultation with businesses also revealed that there is a degree of concern regarding the availability and standard of other physical infrastructure required by business, namely electricity reliability and the choice of information technology & telecommunications services. Actions to ensure appropriate servicing now and into the future are vital.

3.3.3 Recommendations

It is recommended that a streetscape, environment and infrastructure plan be developed and works / actions undertaken to improve the image and function of the study area, consistent with the recommendations shown in Action Plan 1. This should focus on:

- Upgrading the appearance of strategic roads, gateways, creek and open space links and streetscapes in general, tailored to precinct needs.
- Ensuring business practices are environmentally sustainable by addressing noise and image interface issues and minimising pollution discharges into stormwater systems.
- Identifying and facilitating the delivery of required infrastructure (focussing on information technology & telecommunications and electricity supplies).

3.3.4 Actions

Task	Responsibility	Resourcing (Indicative)	Timing
Prepare an industrial area streetscape, environment and infrastructure improvement plan, in accordance with this Action Plan and others in this report.	Knox, Maroondah and Yarra Ranges Councils combined with Department of Infrastructure, Vic Roads, Environment Protection Authority and other agencies as required.	Internal plus consulting budget for plan development of $75,000.	12 months.
Implement works in the plan.	Knox, Maroondah and Yarra Ranges Councils combined with Department of Infrastructure, Vic Roads, Environment Protection Authority and other agencies as required. Private stakeholders should be involved in private works and assist Councils to lobby infrastructure agencies.	Based on works proposed. Funding to be provided by State agencies, Councils, private stakeholders and others as required.	12 months +.

3.4 Strategic Action Plan 4 – Healesville Freeway Land Optimisation

3.4.1 Task in Overview

To investigate and if possible utilise land shown as a possible Healesville Freeway route for industrial development in the study area and, if required, for construction of a new arterial road link between the study area and the proposed Scoresby Freeway on the present easement (with or without the first initiative).

3.4.2 Rationale

About 47 hectares of study area land is potentially encumbered by plans for a Healesville Freeway. Permanent structures are not possible / encouraged on the land as a result. As a consequence, the use and potential of this land for industrial development and jobs growth is considerably constrained. It is estimated that this land quantum could support about 2,430 jobs.

Road transport infrastructure is a key concern for businesses generally. A poor perception of transport access, congestion and limited exposure inhibits investment interest from externally located businesses. Some study area businesses suggested that gaining access to road links to central Melbourne's ports and road networks from the study area is difficult and becoming more congested over time.

On this basis, and assuming the Healesville Freeway is not required, there may be a need to establish an additional arterial road link between the study area and the proposed Scoresby Freeway (and possibly beyond), to better integrate the study area with regional road infrastructure (existing and planned). This is a possible need and would need to be thoroughly investigated.

In any case, Healesville Freeway land represents a significant asset that could be utilised for freeway use, industrial use and for other road links. Vic Roads have however indicated that no firm decision on the Freeway's future has been made.

3.4.3 Recommendations

It is recommended that the three Councils and others affected by the Healesville Freeway proposal investigate the need for the Freeway with a view to establish a formal policy position on its future need.

Contingent on the Freeway not being required, it is recommended that land shown for freeway purposes in the study area be released for long term and high quality industrial development and jobs growth. This may involve a partial rezoning of land, although most land is already zoned industrial.

With or without the above initiative, it is recommended that the need for a new east-west road link between the study area and the proposed Scoresby Freeway (and beyond as is necessary) be investigated, and if required that this link be established.

3.4.4 Actions

Task	Responsibility	Resourcing (Indicative)	Timing
Establish a working party to investigate and make a determination on the need for the Healesville Freeway east of Scoresby Freeway.	Maroondah, Yarra Ranges and Knox Councils combined with Vic Roads.	Internal planning and economic development department time.	3 months.
Undertake investigations into the need for the Freeway and need for an arterial road linking the study area and proposed Scoresby Freeway.	Working Party.	Working Party time plus traffic / transport consultant fees ($50,000).	3 – 12 months.
Contingent on a finding that the Freeway is not required – Remove Freeway planning restrictions from all study area industrial land, including rezoning to industrial as required.	Vic Roads and Responsible Authority	Internal.	12 months +.
Contingent on a finding that a road link is needed – Establish an action plan to design and build the required road link.	Vic Roads, with Maroondah and Knox Council involvement.	Vic Roads and Maroondah and Knox Council Internal.	12 months +.

3.5 Strategic Action Plan 5 – Bayswater Industrial Area Action Group

3.5.1 Task in Overview

To establish a business driven Action Group that develops and implements business development strategies specifically for the Bayswater Industrial Area.

3.5.2 Rationale

Consultation findings show that the concerns of businesses are often outside the sphere of local government influence and can rapidly change (eg. issues to do with tax, insurances, exporting, State regulations). The best organisations to devise and implement business development actions are those with a direct interest (ie. the businesses themselves). A 'vehicle' that enables study area businesses to work together is therefore important.

Such a vehicle is also important for developing effective business networks. It is well recognised that networking is a key economic development initiative by providing businesses with an opportunity to forge supplier-customer links and, at an advanced level, to develop strategic relationships.

There is a need to establish a business group to provide a means by which actions can be undertaken and networking can be enhanced. A vehicle that brings business leaders together and provides logistical support takes considerable resources to assemble (and can benefit 'free riders') and thus is not generally undertaken by business. Local government and other regional development organisations could be best placed to establish such a vehicle.

Hence this action concerns the establishment of a Bayswater Industrial Area Action Group (comprising business leaders) that is supported by regional development organisations.

It is acknowledged that:

- A number of existing business networks already exist in outer eastern Melbourne;
- Significant networking relationships already exist; and
- It is difficult to engage small businesses in such an initiative due to time commitments involved.

Hence this action seeks to build on existing structures and targets business leaders that have strong supplier-customer relationships, and have the capacity to represent the study area and engage many of its businesses.

3.5.3 Recommendations

It is recommended that a private sector driven Action Group be formed by a support team comprising regional development organisations. The Action Group should be built on a business group that is currently (ie. in early 2002) being established by the Croydon Chamber and Commerce and Industry (contact Glen Walker of Kenworth Trucks). The Action Group should be developed in partnership with the CCCI group.

The support team should seek to include representatives from Knox, Maroondah and Yarra Ranges Councils, Jobs East, Swinburne University (Centre for Regional Development), the Department of Innovation, Industry and Regional Development and others as required.

3.5.4 Actions

Task	Responsibility	Resourcing (Indicative)	Timing
Establish a Support Team comprising members of the three Councils, Jobs East, Swinburne University, Department of Innovation, Industry and Regional Development and others.	Knox, Maroondah and Yarra Ranges Councils, Jobs East and Department of Innovation, Industry and Regional Development.	Internal.	3 months.
Develop a protocol and terms of reference for the Support Team and Action Group.	Support Team in partnership with Croydon Chamber of Commerce and Industry business leaders (contact Glen Walker).	Internal.	3 – 6 months.
Establish the Action Group.	Support Team in partnership with Croydon Chamber of Commerce and Industry business leaders (contact Glen Walker).	Internal.	3 – 6 months.
Provide support to the Action Group on an ongoing basis consistent with the protocol / term of reference.	Support Team.	Internal time with a budget allocation for expenses ($30,000 pa).	Ongoing.
Develop and implement actions on behalf of the study area and its businesses.	Action Group.	Action Group.	Ongoing.

3.6 Strategic Action Plan 6 – Investment Attraction and Regional Marketing

3.6.1 Task in Overview

To prepare marketing material on study area precincts and regional attributes and strengths for inclusion into wider investment attraction and marketing / promotional programs.

3.6.2 Rationale

A plan to better manage precincts (existing and proposed) is established in Action Plan 1. This Action Plan seeks to facilitate and support desired outcomes through an investment attraction, promotion and marketing campaign. Investment attraction should aim to establish a recognisable address for business activity and job opportunities within the study area, in accordance with precinct objectives.

Promoting positive features and overcoming / dispelling negative perceptions of the wider eastern region of Melbourne, especially regarding road access and exposure, is also important. Research found unfavourable views on transport access, congestion and limited exposure. These factors inhibit investment interest from externally located businesses. However, the area has improving access to major road links (mainly relating to the current Eastern Freeway extension and the planned Scoresby Freeway development) and hence this should be promoted.

Work undertaken by Jobs East and confirmed through consultation undertaken for this assignment shows that there are skills shortages in some fields, generally in professional fields but also is some specialised vocational fields. On this basis regional marketing should also be directed at attracting and retaining skilled workers / business managers.

3.6.3 Recommendations

It is recommended that desired business development, investment and employment outcomes be facilitated through investment attraction, promotion and marketing campaigns. This should be undertaken for the broader region and not just the study area, but study area specific objectives and issues must be incorporated.

It is recommended that these campaigns include, but not necessarily be limited to, the following study area attributes and issues:

- Precinct based 'branding' to establish a recognisable business and investment address.
- Strategic and economic significance of the study area and promoting key 'anchor' firms externally.
- Strong business networks and supply chains and number and mix of businesses from which strategic relationships could be forged.
- Study area's accessibility to a large eastern region labour pool and range of skills (vocational in the immediate region and professional in suburbs closer to the city centre).
- Study area's accessibility to a large eastern region market / client base.
- Good and improving road links, highlighting accessibility benefits from the Eastern Freeway extension and Scoresby Freeway development.
- Lifestyle attributes relating to the region's facilities and natural environment advantages (eg. Dandenong Ranges).

3.6.4 Actions

Task	**Responsibility**	**Resourcing (Indicative)**	**Timing**
Prepare investment attraction, marketing and promotion material in accordance with this Action Plan.	Knox, Maroondah and Yarra Ranges Councils combined or independently with Jobs East, Swinburne University, Department of Innovation, Industry and Regional Development and private sector sponsors.	Internal plus consulting budget for marketing material of $30,000.	6 months.
Incorporate study area material in wider investment attraction, marketing and promotion documentation.	Knox, Maroondah and Yarra Ranges Councils combined or independently with Jobs East, Swinburne University, Department of In novation, Industry and Regional Development and private sector sponsors.	As part of wider campaigns.	As part of wider campaigns.
Disseminate material to target audiences such as investment facilitators (DSRD, agents, business networks), regional employment agencies, and in public and other forums.	Knox, Maroondah and Yarra Ranges Councils combined or independently with Jobs East, Swinburne University, Department of Innovation, Industry and Regional Development and private sector sponsors.	As part of wider campaigns.	As part of wider campaigns.

3.7 Strategic Action Plan 7 – Business Consultation Panel

3.7.1 Task in Overview

To hold regular meetings with business leaders from the study area and beyond as part of a wider regional business information gathering and relationship building exercise.

3.7.2 Rationale

The study area accommodates a large pool of businesses. It has in the vicinity of 1,873 businesses that provide about 35,500 jobs. Most of the study area's firms are small and medium sized, but a small number of large 'anchor' firms are also present (see Map 3). This describes firms that generate work for small supplier firms, and thus sustain not only a large pool of jobs directly, but many more jobs through supply chains. About five study area firms employ roughly 10% of the area's workers directly and many more indirectly through supplier networks.

On this basis, given the importance of such firms, there is merit in establishing a formal business and council consultation mechanism to ensure councils are aware of the needs of and issues confronting firms, especially anchor firms.

The research for this study indicates that there are strong supply chain links within the study area and wider region. About three-quarters of businesses surveyed said they have some form of business relationship with other firms in the immediate area. Hence a small number of business representatives may be able to represent a large pool of businesses.

One purpose of a formal consultation process is for councils to gain a better understanding of business development issues as they evolve over time and to more intensely integrate key businesses / employers into the civic and community life of the region.

3.7.3 Recommendations

It is recommended that relationships with key business leaders be developed through a formal consultation mechanism. This should include significant employers and organisations that represent small business (eg. Croydon Chamber of Commerce and Industry) in the study area and beyond.

It is recommended that a panel of business leaders and representatives meet with council stakeholders on a regular basis (eg. every 6 months) with a view to sharing information and building relationships.

Terms of reference and qualification criteria for entry on the panel should be established and the panel should have rotating membership.

3.7.4 Actions

Task	Responsibility	Resourcing (Indicative)	Timing
Establish terms of reference, operating procedures and membership criteria for the panel.	Knox, Maroondah and Yarra Ranges Council independently or combined.	Internal.	4 months.
Establish panel membership through consultation with business leaders.	Knox, Maroondah and Yarra Ranges Council independently or combined.	Internal.	4-8 months.
Hold regular Business Consultation Panel Meetings (eg. 6 month intervals) in accordance with this action plan.	Knox, Maroondah and Yarra Ranges Council independently or combined.	Internal.	Ongoing.

3.8 Strategic Action Plan 8 – Industry Development Advice

3.8.1 Task in Overview

To regularly disseminate information to businesses (especially small firms) on business development topics as part of a wider regional information provision initiative.

3.8.2 Rationale

The study area has many businesses (1,873 at early 2002), many of which are small firms (58% have less than 10 staff). Most of these firms, as is the case with small business generally, are unable to commit significant time and resources in activities outside of core activities (eg. research on business development topics and government assistance programs, actively participating in regional networking initiatives).

Significant benefits could be provided to the small business sector from provision of regular and targeted information. Potential benefits could be greatest in sectors that are experiencing significant import / competitiveness pressures (eg. wood / furniture businesses).

3.8.3 Recommendations

It is recommended that councils / regional development organisations develop a register of businesses that could benefit from information on business development and government programs. Information should be complied and disseminated to businesses on a regular basis (eg. quarterly). This could take the form of a 'no frills' document that is disseminated by email or fax. Content of the document could be drawn from existing publications / newsletters produced by councils / regional development organisations and supplemented by research on topics requested by businesses.

Note that this strategy should form part of a wider business information provision initiative (not just for Bayswater Industrial Area), and can be undertaken by each council independently or together.

3.8.4 Actions

Task	**Responsibility**	**Resourcing (Indicative)**	**Timing**
Assemble a register of businesses.	Knox, Maroondah and Yarra Ranges Council independently or combined, with regional development groups (eg. Jobs East, Swinburne University).	Internal.	6 months.
Produce and disseminate a business development paper on a regular basis (eg. quarterly).	Knox, Maroondah and Yarra Ranges Council independently or combined, with regional development groups (eg. Jobs East, Swinburne University).	Internal.	Ongoing.
Seek feedback from businesses in a questionnaire within the paper on topics of interest.	Knox, Maroondah and Yarra Ranges Council independently or combined, with regional development groups (eg. Jobs East, Swinburne University).	Internal.	Ongoing.

Knox City Council
Towards New Horizons

Maroondah City Council

SHIRE of YARRA RANGES

Victoria
The Place To Be

Bayswater / Bayswater North Industrial Area Strategy

Volume 2 – Background Report

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TABLE OF CONTENTS

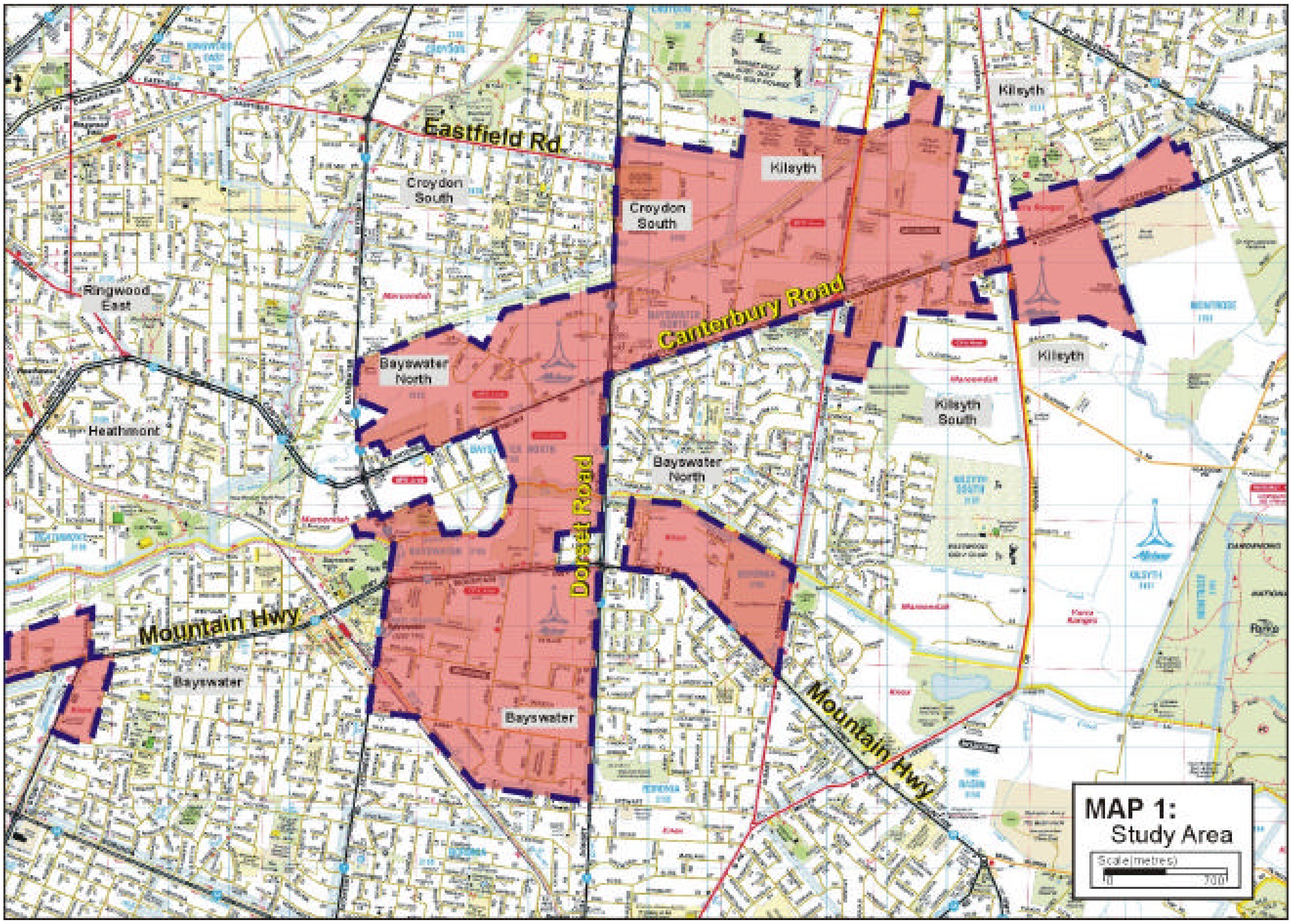
1 INTRODUCTION

This report provides background information compiled for the Bayswater / Bayswater North Industrial Area Strategy.

The principal findings, issues and strategies of the project are documented in Volume 1 – Strategic Action Plan.

This Volume has seven sections as follows:
- Study Purpose and Method;
- Policy and Strategy Framework;
- Regional Economic Conditions;
- Business and Land Use Profile;
- Property Market Conditions;
- Stakeholder Issues and Aspirations; and
- Appendices.

The study area is shown in Map 1 overleaf.


Eastfield Rd.
Canterbury Road
Dorset Road
Mountain Hwy
Mountain Hwy
Kilsyth
Kilsyth
Kilsyth
Croydon South
Croydon South
Ringwood East
Bayswater North
Bayswater North
Heathmont
Kilsyth South
Bayswater
Bayswater
MAP 1:
Study Area
Scale(metres)
0
700

2 STUDY PURPOSE AND METHOD

The aim of this project is to document land use, economic and business dynamics and issues in the study area and to present an Action Plan that will enable participating Councils and other stakeholders to work together in a coordinated fashion in pursuit of business development and jobs growth. Actions seek to:

- Boost the competitive advantage of the study area as a business address; and
- Assist businesses to grow and be more competitive and generate jobs in the region.

The methodology adopted for this assignment is shown in the following chart. This comprises a number of tasks under three phases: background audit, consultation (business / skills analysis) and strategy development.

This report documents the outputs of the background audit and consultation process. The strategies are documented in Volume 1 – Strategic Action Plan.

Figure 1. Study Methodology

3 POLICY AND STRATEGY FRAMEWORK

This section provides an overview of the main policy and strategy directions of State Government, Knox City Council, Maroondah City Council, Yarra Ranges Shire Council and Jobs East. The focus of the review is on planning and economic development documentation.

3.1 State Government

3.1.1 State Planning Policy Framework (SPPF)

- The purpose of the SPPF is to ensure land use and development is undertaken in a sustainable economic, social and environmental manner.

- Clause 17.03 (Industry) refers to the need to protect industrial zones from the encroachment of unplanned commercial, residential and other sensitive uses which would adversely affect industrial viability.

- The Industrial 1 Zone is consistent across the three municipal areas subject to this study. This zone *"provides 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"*.

3.1.2 Melbourne 2030

- The metropolitan strategy for Melbourne is based on a concept of establishing a more compact city, which is defined by a series of high density and multi-purpose activity centres (within Melbourne and regional Victoria) that are 'tied together' by an effective public transport network.

- Melbourne 2030 has the following directions relating to industrial areas (and the eastern region):
  - Maintain adequate supply of land for industry;
  - Encourage manufacturing and storage industries to locate close to sea and air ports and road and rail links;

- Protect well-located industrial land in metropolitan Melbourne and ensure ongoing supply;
- Assess demand of the Scoresby Integrated Transport Corridor for demand for industrial space in the east;
- Further develop transport links and gateways and maintain the State's lead position in logistics;
- Create opportunities for innovation and new economy activities;
- Amend where needed the business and industrial zones in planning schemes to provide for the essential needs of the production economy while not undermining the intent of the activity centre policy;
- Promote business and university links associated with the Synchrotron development;
- Plan urban development to make jobs and community services more accessible; and
- Require that integrated transport plans be prepared for all new major developments – including industrial – and develop guidelines that emphasise sustainable transport.

3.1.3 Industry in Depth (1999)

- The report found that Melbourne is a critical location for manufacturing industry in a national context and is well positioned in terms of vacant industrial land compared with the other capital cities. Based on trends between 1995 and 1998, the Department of Infrastructure forecast that there is eleven years supply of vacant land available in outer Melbourne.

3.2 Knox City Council

3.2.1 Knox Planning Scheme

- The Municipal Strategic Statement recognises that the City has significant industrial development opportunities by virtue of large tracts of flat, serviceable land. Major businesses operate in the municipality, presenting an important corporate profile and providing investment and job opportunities.

- The enhancement of industrial areas within the municipality is required to retain the profile sought by businesses and the amenity sought by residents. This is to be achieved through the implementation of the Industrial and Restricted Retail Sales Area Design Policy which seeks to:
  - Facilitate employment growth;
  - Ensure that design of industrial and restricted sales development maintains and enhances the appearance of industrial areas;
  - Ensure effective interfaces between industrial and restricted sales development and the surrounding streetscape and landscape character; and
  - Promote subdivision and design that meet the needs of industry.

3.2.2 Knox Economic Development Policy 2003-2007

- The 2003-2007 Policy states that Council intends to facilitate business and economic development in the City and wider region by working in partnership with many stakeholders on the following focus areas:
  - Reinvesting in activity centres;
  - Leading and providing certainty;
  - Providing information and facilitating networking and clustering;
  - Acting regionally;
  - Ensuring local infrastructure meets the needs of business;
  - Promoting the benefits of doing business in Knox;
  - Facilitating site redevelopment and consolidation;
  - Strengthening links with local business;
  - Promoting a sustainable approach to business; and
  - Supporting the young / mature age labour force.

- The Policy acknowledges the importance of industry / manufacturing and related economic sectors to the regional economy in a broader context.

3.2.3 Knox Industrial Development Discussion Paper

- Strategic options to improve the investment environment in Knox's industrial areas are considered by a Council discussion paper.

- The paper reviews the 500 square metre cap on office activity per establishment in the City's industrial areas in the context of the City having developed a specialisation as a home to amenity conscious businesses and regional / head office functions. The paper suggests that the control on office development may be holding up further investment in the City. Strategic options to address this issue are raised.

3.2.4 Scoresby / Rowville Industrial Area Review (2000)

- The purpose of this report is to provide an understanding of the role of the Scoresby / Rowville industrial areas in the 'production economy' and develop a strategic land use and economic development framework for the subject areas.

- The review found that the study area has a significant number of businesses that can be classified as manufacturers, service industry firms, administration and / or distribution establishments, business services providers and wholesalers and retailers. A significant number of firms (especially administration and / or distribution establishments and manufacturers) have global reach either independently or as units within wider organisations. Many firms, especially those with global reach, have office floorspace quantums in excess of 500 sqm.

- The Industry 1 Zone is adequate for manufacturers, service industry and certain wholesalers & retailers. However, the Industry 1 Zone is inappropriate for administration and / or distribution facilities, business services or 'back office' facilities and for enabling the 'next phase' of industrial related development to occur such as those activities which have office based uses as the primary site function.

- The review recommends that a multi-use 'employment precinct' be established in the study area to accommodate more flexible production economy related land use activities and 'high amenity' industry and warehouse activity, and that Industry 1 be retained in parts of the study area.

General findings of the study included:

- The nature of production world-wide is characterised by the 'elongation of production chains' which means that the production process is distributed across the globe and not necessarily concentrated in one place.
- The distinction between production and service work is increasingly blurred with the technological advancement and fragmentation of manufacturing. A manufacturer nowadays may generate more work in services than in production.
- In the future, 'places' will increasingly specialise in one or a number of roles in the production chain – such as management, research & development, production, distribution, marketing & sales, service & customer support – but not necessarily all of these roles.
- The Industry 1 Zone is prohibitive for some forms of industrial and related development, such as facilities that require more than 500 sqm of office space (this is not allowed by the zone where it is the primary site function). 'Industry' in planning and development now requires a broader definition to include all facets of the production chain and hence there is a need for a more 'flexible' land use framework that promotes development of a range of activities related to production and complementary business services.

3.3 Maroondah City Council

3.3.1 Maroondah Planning Scheme

- The Municipal Strategic Statement states that major industrial development located in the Bayswater North area:
  - Contributes to the City's economic strength, primarily through provision of a diversified industrial base; but
  - The main industrial areas are experiencing rapid deterioration due to their physical age, building construction and mix of land uses.

- The Municipal Strategic Statement acknowledges that the creation of a high quality industrial estate in Croydon South has increased employment and investment opportunities in the City. These benefits can be consolidated through the redevelopment of under-utilised industrial land stocks located in the Bayswater North and Ringwood areas.

- Significant new investment in older industrial areas is foreshadowed by the MSS. Accordingly, an Industrial Urban Design and Development Policy is established. The primary focus of the policy is on urban design and building requirements to ensure a high quality industrial appearance.

- The City's Industrial Land Use Policy objectives are to:
  - Promote Maroondah as a prime location for industrial development, land use and investment in the north east region;
  - Create visually attractive, functional and well-planned industrial developments, estates and precincts; and
  - Maximise industrial employment opportunities for both Maroondah residents and the wider community.

3.3.2 Maroondah Economic Strategy Action Plan 2002-2005

- Council's vision is that Maroondah will have a strong and vibrant economy. In pursuit of this Council will:
  - Foster sustainability and growth of local business through business community development, leadership and networking;
  - Promote and market key opportunities and strengths to potential investors;
  - Support and boost local jobs matched to business and regional needs;
  - Establish and promote a unique business identity based on municipal strengths;
  - Support development of a diverse and strong regional economy; and
  - Provide a coordinated and integrated approach to economic development.

3.3.3 Ringwood Transit City

- Ringwood has been designated a Transit City. Various initiatives have been undertaken by government and the private sector to transform what is essentially a shopping based centre into a genuine 'town centre', offering a full range of urban experiences and vitality. Amongst other things, this will mean:
  - Introducing greatly expanded housing choices, including higher density forms;
  - Encouraging a concentration of learning institutions, facilities and networks to develop in the town centre;
  - Attracting cultural and entertainment providers to similarly cluster in the centre;
  - Creating a public domain which has a strong urban as opposed to sub-urban character; and
  - Building a strong commercial and business services hub.

- A key focus of the Transit City program is to focus 'town centre' employment activity – both public and private - in the Transit City.

3.4 Yarra Ranges Shire Council

- Yarra Ranges is in the process of reviewing its economic development and industrial land strategies. Current strategies / policies are as follows.

3.4.1 Yarra Ranges Planning Scheme

- The Shire's Municipal Strategic Statement has as an objective to attract new industrial enterprises to the Shire's industrial areas and to consolidate the established industrial base of the Shire.

- There are two major industrial areas located within the Shire: one at Lilydale and one at Kilsyth. These areas are important to the Shire's economy as they provide employment and meet the demands of local agricultural producers. The existence of undeveloped industrial land allows some scope for future development.

- It is recognised that industrial land is a finite resource within the Shire, and must be protected from the intrusion of uses that do not require industrial zoned sites.

- The broad objectives of the Shire's Industrial Area Policy are to:
  - Accommodate a range of industrial land uses to meet local service needs and create employment opportunities in the Shire, while not detracting from the appearance or amenity of adjacent land;
  - Allow non-industrial uses that are compatible with industrial uses or excluded from other zones; and
  - Ensure that industrial uses do not adversely affect amenity of nearby residential areas.

3.4.2 Yarra Ranges Economic Development Statement (1997)

- The overall aim of economic development is economic expansion, job creation and education & training, particularly in rural and tourism sectors which enhance the Shire's environmental, cultural and lifestyle values.

- Economic development is to be promoted through improving an understanding of the Shire economy, building relationships between key organisations and stakeholders and through actions to encourage and manage growth.

- Priority industries for the Shire are food growing & processing, floriculture, viticulture & winemaking and timber.

3.4.3 Yarra Ranges Vision 2020

- A 20-year vision statement for community development covers safety & security, tourism & cultural development, education, local economy and environmental stewardship.

- 'Green industries' have been nominated for further growth and development in the Shire. This includes businesses related to the growing food, wine and tourism sectors. Industrial areas are expected to continue to operate successfully in this context.

3.5 Jobs East

3.5.1 Jobs East Business Retention and Expansion Program (2000)

- The Business Retention and Expansion Program promotes local employment by encouraging the sustainable growth of existing businesses. The Program identifies Red Flag Issues and Action Plans for six municipalities in Melbourne's east.

- Through this program a wide range of priority actions for each council are identified and these include urban design and streetscape works, business services retention and attraction, labour sourcing and skills development and leadership and communication development.

4 REGIONAL ECONOMIC CONDITIONS

The purpose of this section of the report is to provide an overview of the regional economy (ie. Knox, Maroondah and Yarra Ranges combined) within which the study area is located. The purpose of this is to set the scene before an existing conditions review of the study area is provided.

The section provides information on the region's:
- Output profile by industry sector;
- Jobs profile by industry;
- Job stock change;
- Export and non-export sectors; and
- Skills base.

4.1 Output by Industry

- The region produces $11,119.8m worth of total output (or $8063.8m worth of industry output not including housing, government and tax factors, 2001 data).

- The region's contribution to metropolitan output declined marginally in the five years to 2001, from 8.7% in 1996 to 8.4% in 2001.

- In output terms relative to metropolitan Melbourne as a whole, the region has strengths in:
  - Manufacturing;
  - Wholesale Trade;
  - Retail Trade; and
  - Construction.

- The region is comparatively weak in terms of industry output in:
  - Property & Business Services;
  - Finance & Insurance;
  - Communication Services; and
  - Transport & Storage.

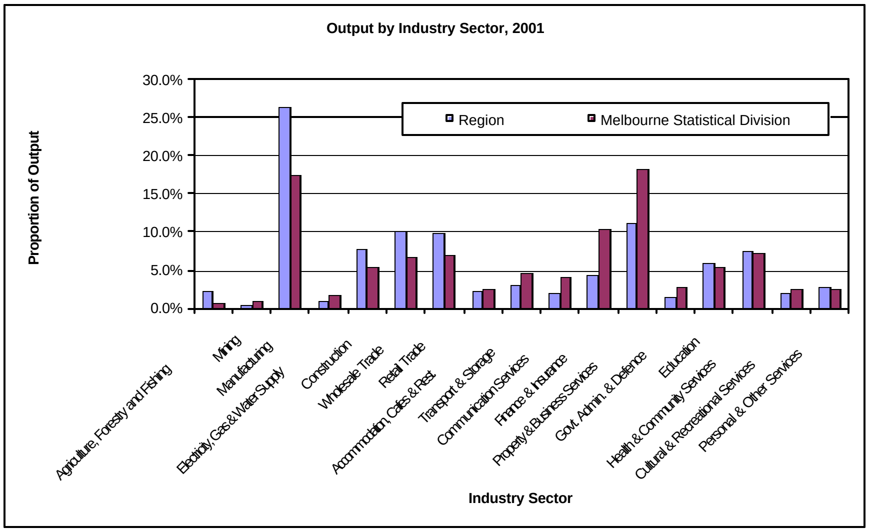


Figure 2.

Derived using 2001 ABS job counts by industry within the region applied to industry output / job ratios for Australia

4.2 Job Stock

- The region had 121,718 jobs in 2001, or 8.4% of the metropolitan total.
- The region's key industry sectors in terms of job numbers are shown in the following table. The table also provides an index of over- or under-representation of jobs compared to Melbourne as a whole. A score above 1.0 indicates an over-representation and under 1.0 an under-representation.
- The region has an emphasis on 'population–driven' sectors like Trade (Wholesale & Retail), Construction and Education.
- The region's prominent 'higher-order' sectors are Agriculture & Forestry and Manufacturing.
- The region has a relatively low number of jobs in 'advanced business services', like Property & Business Services and Finance & Insurance. This is a weakness in the regional economy.

Figure 3.

	Region		Melbourne Statistical Division		Index
	Jobs		Jobs		
Agriculture, Forestry and Fishing	2,545	2.1%	11,070	0.8%	2.72
Wholesale Trade	10,628	8.7%	90,236	6.3%	1.39
Manufacturing	27,899	22.9%	240,775	16.7%	1.37
Construction	7,603	6.2%	68,955	4.8%	1.31
Retail Trade	23,834	19.6%	216,901	15.0%	1.30
Non-Classifiable Economic Units	588	0.5%	6,775	0.5%	1.03
Education	8,945	7.3%	105,148	7.3%	1.01
Personal & Other Services	3,873	3.2%	48,047	3.3%	0.95
Not stated	424	0.3%	5,297	0.4%	0.95
Health & Community Services	11,139	9.2%	139,272	9.7%	0.95
Accommodation, Cafes & Rest.	4,103	3.4%	60,823	4.2%	0.80
Cultural & Recreational Services	2,352	1.9%	40,274	2.8%	0.69
Transport & Storage	2,817	2.3%	56,487	3.9%	0.59
Property & Business Services	9,232	7.6%	194,020	13.5%	0.56
Electricity, Gas & Water Supply	314	0.3%	6,783	0.5%	0.55
Govt. Admin. & Defence	1,865	1.5%	43,585	3.0%	0.51
Communication Services	1,233	1.0%	33,576	2.3%	0.43
Mining	81	0.1%	2,330	0.2%	0.41
Finance & Insurance	2,243	1.8%	71,273	4.9%	0.37
Total	**121,718**	**100.0%**	**1,441,627**	**100.0%**	**1.00**

2001 ABS job counts by industry

4.3 Job Stock Change

- As noted above, the region had 121,718 jobs in 2001, or 8.4% of the metropolitan total. This compares to 109,026 jobs in 1996 (or 8.7% of Melbourne's total). In 1986, the region had 58,980 jobs (5.5% of Melbourne).

- In the ten years to 1996, the region experienced a jobs growth rate of 6.3% pa compared to Melbourne's 1.6% pa. This relatively high rate of growth reflects the region's suburban growth area character during this time.

- In the five years to 2001, the jobs growth rate of the region had stabilised at 2.2% pa compared to Melbourne's 2.8% pa. The region was largely developed during this time.

- In the five years to 2001, jobs growth was strongest in a range of population-growth-driven sectors like Retail Trade, Health & Community Services, Education and Wholesale Trade.

- Wider economy activities like Manufacturing and Property & Business Services (some of which are likely to be population driven) grew strongly in the five years to 2001 representing evolution and diversification of the regional economy.

- Despite growth in Property & Business Services, this sector is (as noted earlier) under-represented in the region compared to Melbourne as a whole and is growing at a slower rate than in Melbourne as a whole.

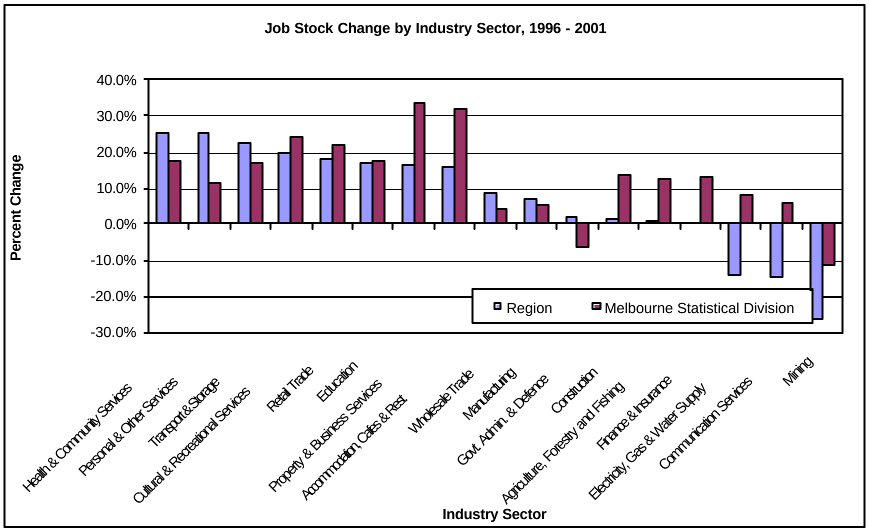
	Region					**Melbourne Statistical Division**				
	1996	2001	Change			1996	2001	Change		
			No.	%	Ann. Ave.			No.	%	Ann. Ave.
Retail Trade	20,148	23,834	3,686	18.3%	3.4%	177,615	216,901	39,286	22.1%	4.1%
Health & Community Services	8,891	11,139	2,248	25.3%	4.6%	118,704	139,272	20,568	17.3%	3.2%
Manufacturing	26,027	27,899	1,872	7.2%	1.4%	228,109	240,775	12,666	5.6%	1.1%
Property & Business Services	7,919	9,232	1,313	16.6%	3.1%	145,489	194,020	48,531	33.4%	5.9%
Education	7,647	8,945	1,298	17.0%	3.2%	89,712	105,148	15,436	17.2%	3.2%
Wholesale Trade	9,770	10,628	858	8.8%	1.7%	86,596	90,236	3,640	4.2%	0.8%
Personal & Other Services	3,092	3,873	781	25.3%	4.6%	43,049	48,047	4,998	11.6%	2.2%
Accommodation, Cafes & Rest.	3,540	4,103	563	15.9%	3.0%	46,160	60,823	14,663	31.8%	5.7%
Transport & Storage	2,302	2,817	515	22.4%	4.1%	48,359	56,487	8,128	16.8%	3.2%
Cultural & Recreational Services	1,965	2,352	387	19.7%	3.7%	32,414	40,274	7,860	24.2%	4.4%
Construction	7,493	7,603	110	1.5%	0.3%	60,610	68,955	8,345	13.8%	2.6%
Govt. Admin. & Defence	1,833	1,865	32	1.7%	0.3%	46,591	43,585	-3,006	-6.5%	-1.3%
Agriculture, Forestry and Fishing	2,527	2,545	18	0.7%	0.1%	9,839	11,070	1,231	12.5%	2.4%
Finance & Insurance	2,233	2,243	10	0.4%	0.1%	63,002	71,273	8,271	13.1%	2.5%
Mining	110	81	-29	-26.4%	-5.9%	2,633	2,330	-303	-11.5%	-2.4%
Electricity, Gas & Water Supply	365	314	-51	-14.0%	-3.0%	6,271	6,783	512	8.2%	1.6%
Communication Services	1,443	1,233	-210	-14.6%	-3.1%	31,736	33,576	1,840	5.8%	1.1%
Non-Classifiable Economic Units	1,638	588	-1,050	-64.1%	-18.5%	16,318	6,775	-9,543	-58.5%	-16.1%
Not stated	83	424	341	410.8%	38.6%	731	5,297	4,566	624.6%	48.6%
Total	**109,026**	**121,718**	**12,692**	**11.6%**	**2.2%**	**1,253,938**	**1,441,627**	**187,689**	**15.0%**	**2.8%**

Figure 4.

1996-2001 ABS job counts by industry

- This information is presented graphically below (by percent change).

Figure 5.



1996-2001 ABS job counts

4.4 Export and Non Export Sectors

- The following analysis identifies key export sectors in the region using the location quotient methodology. This approach is used to distinguish between:
  - ‘Basic’ or export industries – those that sell goods or services to buyers located outside the host ‘economic region’ and thereby bring new wealth (ie. export income) into the regional economy; and
  - ‘Non-basic’ industries – those that sell goods or services to local buyers situated within the economic region.

- The location quotient methodology compares the proportion of jobs in each industry within the study area with the corresponding figures at the national level. The assumption is that the national (average) proportion of jobs in each industry represents the benchmark required for regional self-sufficiency.

- Industries in the study area which have an above average proportion of jobs are deemed to be export sectors because they have more jobs than is required for self-sufficiency; that is, the ‘additional’ jobs are assumed to be generated by demand from outside the region. Industries with the same or lower than average proportion of jobs are deemed to serve a local market and are therefore classified as non-basic sectors.

- The following table summarises the location quotient analysis for the region. In 1996, the region provided a total of 109,026 jobs generating approximately 18,000 export-oriented jobs. Thus, almost 17% of the region's total job stock served inter-regional or international demand at that time. By 2001, the export jobs had risen to about 24,400, or 20% of the region's jobs pool.

- This indicates that the regional economy is moving in the right direction by increasing its focus on external markets.

Figure 6.

Regional Profile

	1996		2001	
Jobs	109,028		121,718	
Locally Generated Jobs	90,994	83.5%	97,336	80.0%
Export Generated Jobs	18,032	16.5%	24,382	20.0%

Derived using 1996 and 2001 ABS job counts by industry within the region and Australia

- The detail of the location quotient analysis is shown in the table overleaf. Those sectors that are most likely to have international export potential are highlighted – and all are in manufacturing, or production of goods, as follows:
  - Petro-chemicals;
  - Machinery & equipment products;
  - Wood & paper products;
  - Metal products;
  - Printing, publishing and recorded media;
  - Food, beverage & related products;
  - Non-metallic mineral products (eg. ceramics, cement); and
  - Textile, clothing, footwear & leather products.

Figure 7.

	Jobs	LQ	Locally Generated Jobs	Export Generated Jobs
29 Other Manufacturing	2,634	2.66	989	1,645
25 Petrlm Coal Chmcl & Ass Prod Mfg	3,640	2.62	1,391	2,249
C00 Manufacturing, undefined	2,579	2.48	1,042	1,537
28 Machinery & Equipment Mfg	6,628	2.07	3,205	3,423
46 Machinery & Mtr Vehicle Whlsling	3,769	1.84	2,051	1,718
F00 Wholesale Trade, undefined	503	1.70	296	207
23 Wood & Paper Prod Mfg	1,542	1.66	930	612
45 Basic Material Wholesaling	2,073	1.57	1,321	752
47 Personal & Hhold Good Whlsling	4,283	1.56	2,746	1,537
27 Metal Product Manufacturing	2,977	1.53	1,943	1,034
24 Prntg,Publshg & Recorded Media	2,221	1.52	1,458	763
21 Food,Bevrge & Tobcco Mfg	3,496	1.51	2,308	1,188
26 Non-Metalic Minl Prod Mfg	913	1.51	606	307
51 Food Retailing	9,154	1.41	6,510	2,644
22 Txtl Clthg Ftwr & Lthr Mfg	1,269	1.34	949	320
53 Mtr Vehicle Retailing & Serv	4,145	1.32	3,138	1,007
52 Prsnl & Hhold Good Retailing	9,947	1.31	7,594	2,353
67 Storage	283	1.20	236	47
87 Community Services	3,326	1.15	2,885	441
G00 Retail Trade, undefined	588	1.12	523	65
95 Personal Services	2,479	1.08	2,289	190
Q00 Personal and Other Services, undefined	3	1.05	3	0
42 Construction Trade Services	5,154	1.03	5,024	130
84 Education	8,945	1.02	8,732	213
93 Sport and Recreation	1,450	0.98	1,450	0
O00 Health and Community Services, undefine	511	0.89	511	0
86 Health Services	7,302	0.87	7,302	0
77 Property Services	1,460	0.81	1,460	0
41 General Construction	2,294	0.78	2,294	0
92 Libraries,Museums and the Arts	608	0.77	608	0
61 Road Transport	1,892	0.76	1,892	0
E00 Construction, undefined	155	0.74	155	0
I00 Transport and Storage, undefined	242	0.72	242	0
P00 Cultural and Recreational Services, undefi	38	0.69	38	0
57 Accommodtn,Cafes & Restaurants	4,103	0.68	4,103	0
78 Business Services	7,766	0.67	7,766	0
96 Other Services	1,391	0.66	1,391	0
73 Finance	1,461	0.60	1,461	0
14 Other Mining	60	0.57	60	0
71 Communication Services	1,233	0.57	1,233	0
01 Agriculture	2,301	0.55	2,301	0
A0 Agriculture Undef	18	0.53	18	0
03 Forestry and Logging	82	0.51	82	0
02 Serv to Agric Hunting & Trapping	125	0.47	125	0
75 Services to Finance & Insurance	430	0.43	430	0
65 Other Transport	6	0.43	6	0
81 Government Administration	1,829	0.41	1,829	0
91 Motion Picture,Radio,TV Serv	256	0.40	256	0
K00 Finance and Insurance, undefined	10	0.39	10	0
36 Electricity and Gas Supply	231	0.39	231	0
66 Services to Transport	283	0.31	283	0
74 Insurance	342	0.30	342	0
37 Water Sply Swrge & Drnge Serv	83	0.28	83	0
L00 Property and Business Services, undefine	6	0.22	6	0
62 Rail Transport	73	0.17	73	0
12 Oil and Gas Extraction	9	0.12	9	0
04 Commercial Fishing	19	0.11	19	0
B00 Mining, undefined	5	0.09	5	0
64 Air and Space Transport	32	0.05	32	0
15 Services to Mining	7	0.05	7	0
82 Defence	36	0.04	36	0
63 Water Transport	6	0.04	6	0
990 Non-Classifiable Economic Units	588	0.84	588	0
&&& Not stated	424	0.20	424	0
Total	**121,718**		**97,336**	**24,382**

Derived using 2001 ABS job counts by industry within the region and Australia

4.5 Skills Base

- The region had 375,912 residents in 2001, or 11.2% of Melbourne's total. This share has not changed since 1996.

- The region had 194,832 workers (persons in the labour force) in 2001, or 11.8% of Melbourne's total.

- The region has a high proportion of tradespeople and clerical workers but a low proportion of professionals relative to the metropolitan average. (In the following figures 1.0 is the metropolitan average).

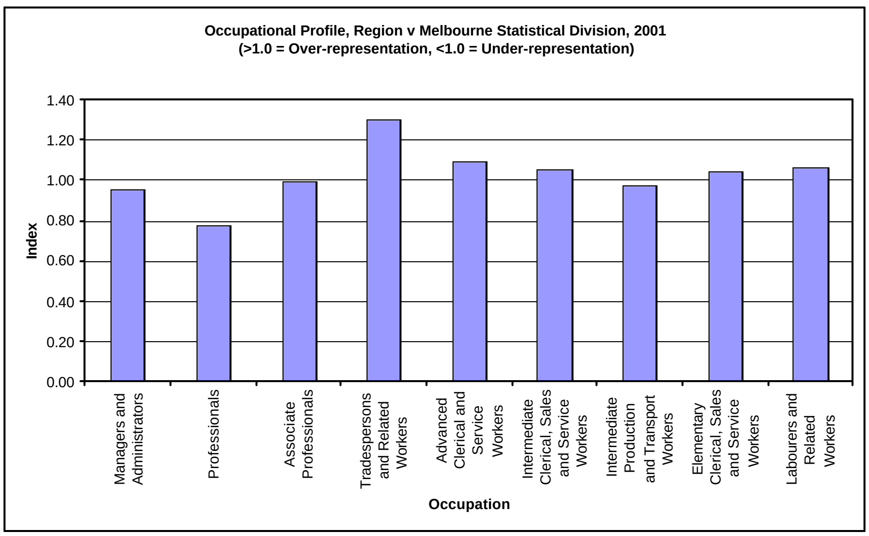
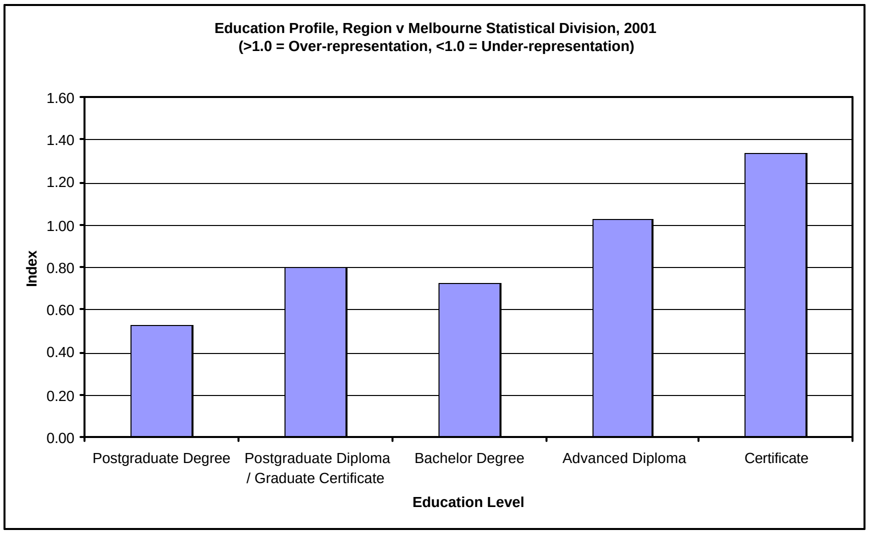


Figure 8.

2001 ABS Census

- Education levels in the region are relatively low compared to the metropolitan average. The table below shows educational attainment levels in the region compared to Melbourne. The region has an over-representation of persons qualified at certificate and advanced diploma levels but a significant under-representation of persons qualified at higher levels.

Figure 9.



2001 ABS Census

5 BUSINESS AND LAND USE PROFILE

This section of the report presents an existing conditions survey of the study area to document business mix, built form and land use characteristics. The findings of a survey of 100 businesses are also presented in order to learn more about business mix and profile.

5.1 Profile of Business Mix and Built Form

5.1.1 Study Area Profile

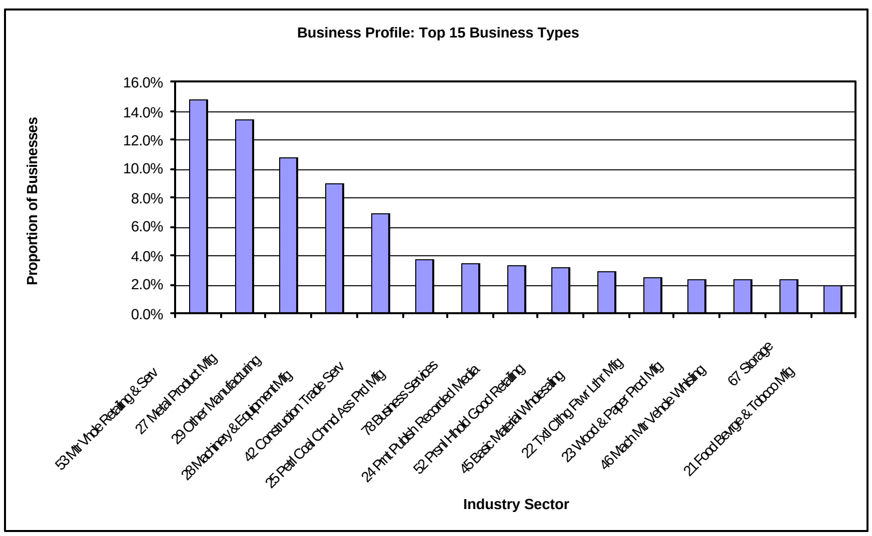
- The study area (2001 / 2002 data) has:
  - 1,873 businesses (0.9% of metro total);
  - $2079m worth of industry output (26% of regional total; 1.9% of metro total);
  - 35,500 jobs (29% of regional total; 2.5% of metro total);
  - 735 hectares of industrial land (42% of regional total; 24% of the wider eastern industrial market area of Melbourne total; 3.2% of metro total);
  - 253 vacant buildings or sites;
  - Vacant greenfield land = 89 hectares or 11 years supply;
  - Vacant building and redevelopment sites = 30 hectares;
  - Healesville Freeway route = 47 hectares.

- The profile of the study area in terms of business type is shown in the following chart. This information was obtained through site inspections in late 2001.

- It terms of number of establishments by industry sector, the data shows that the study area mainly consists of firms engaged in:
  - **Motor vehicle works** – this is a form of 'service industry' that is primarily geared towards serving the regional population and business base;
  - **Metal / machinery product manufacturing** – this group of engineering firms is likely to have a client base that ranges from local customers to inter-regional and international export customers;

- **Construction services** – this group of firms is likely to service the regional population and business base;
- **Petro-chemical manufacturing** - this group of firms is likely to have a wide client base that extends beyond the region and includes inter-regional and international export customers;
- **Business services / printing / wholesaling** – this group of firms is likely to service the regional population and business base;
- **Other potentially export-oriented sectors** include the following manufacturing sectors: textile, clothing & footwear; wood & paper products; food & beverage products; electronics; and non-metallic mineral products; and
- Most other sectors are likely to service regional customers.

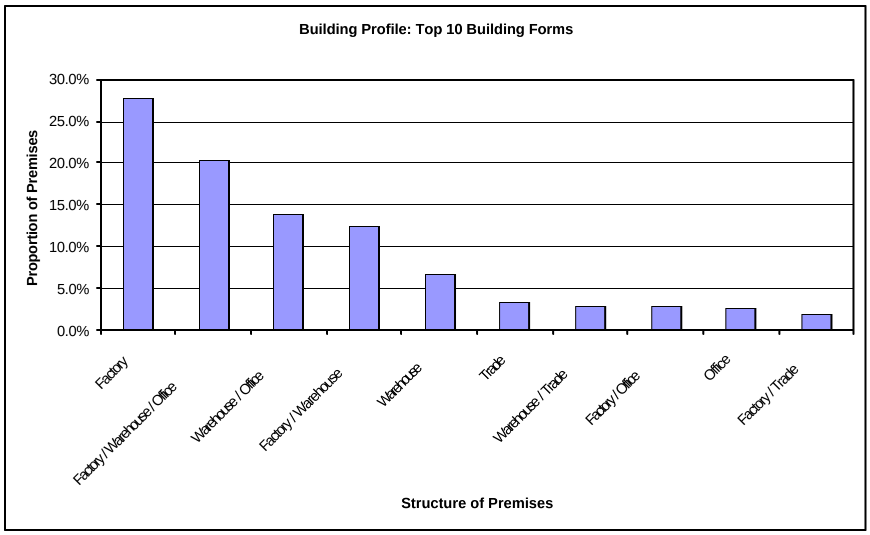
Figure 10.



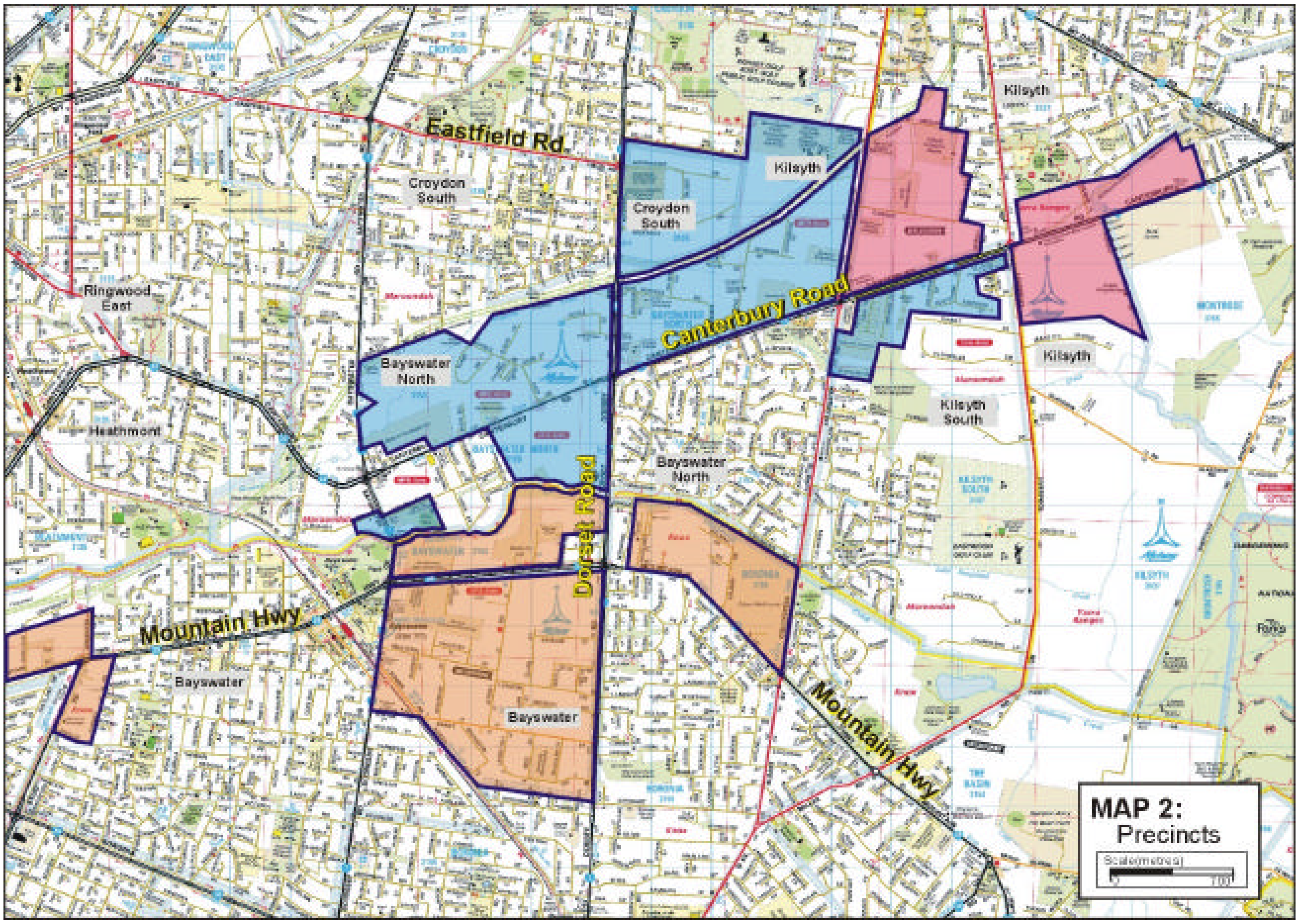
- The profile of the study area in terms of built form is shown in the following chart. This information was obtained through site inspections in late 2001. This shows that the most popular building types are:
  - Stand alone factory (or workshop) – this building form is mainly used by small service industry firms;

- Combined factory / warehouse / office - this tends to be used by larger firms seeking newer premises;
- Combined warehouse / office – these tend to be newer premises;
- Combined factory / warehouse – these are generally older premises; and
- Other popular building forms are shown in the chart.

Figure 11.



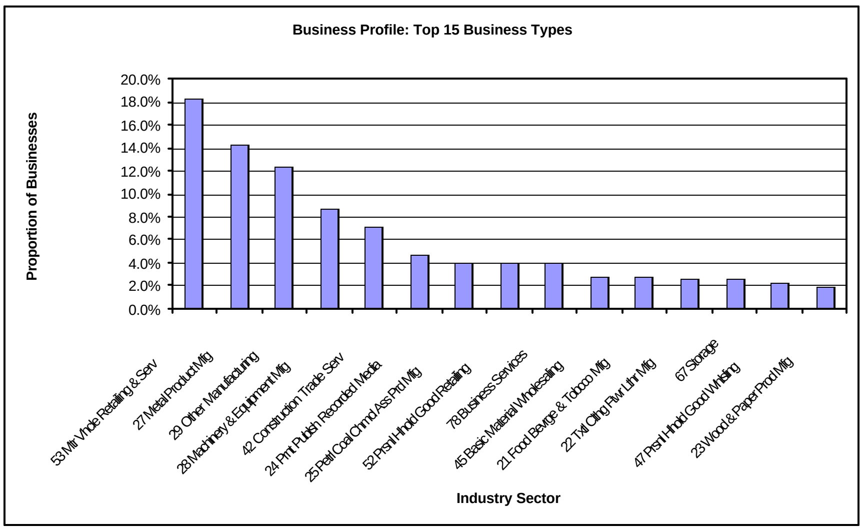
- Information by municipal area is provided in the following pages. Map 2 overleaf shows the municipal precincts.

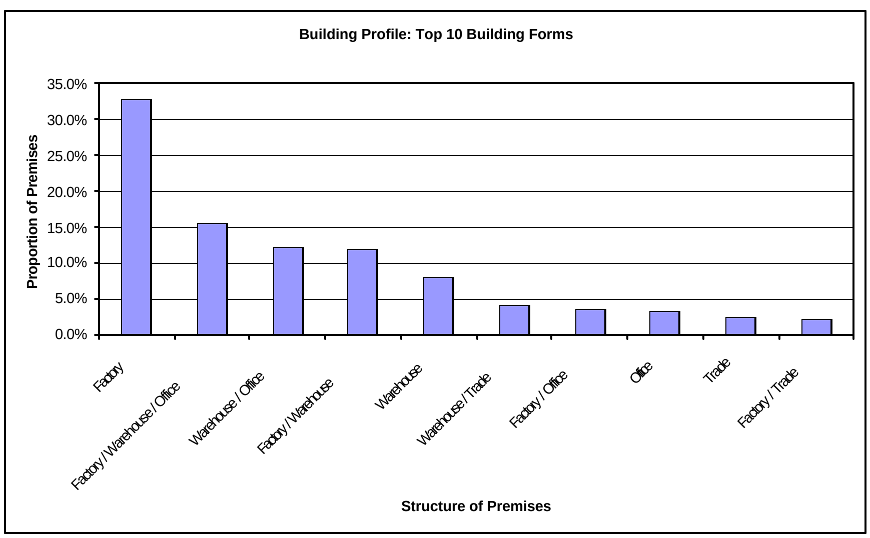

Eastfield Rd
Croydon South
Croydon South
Kilsyth
Kilsyth
Kilsyth
Ringwood East
Canterbury Road
Bayswater North
Bayswater North
Heathmont
Kilsyth South
Dorset Road
Mountain Hwy
Bayswater
Bayswater
Mountain Hwy
MAP 2:
Precincts

5.1.2 Knox Precinct Profile

- This precinct has 1,063 businesses and 135 vacant buildings or sites. Motor vehicle, machinery / metal and construction related firms feature prominently in this precinct. The physical profile of the precinct is dominated by factories, followed by multi-activity premises anchored by factories or warehouses.

Figures 12 and 13.

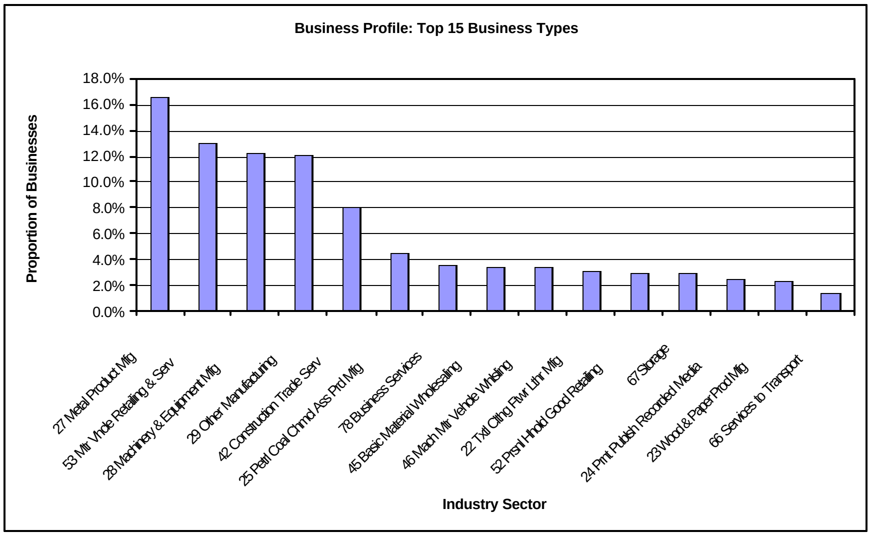


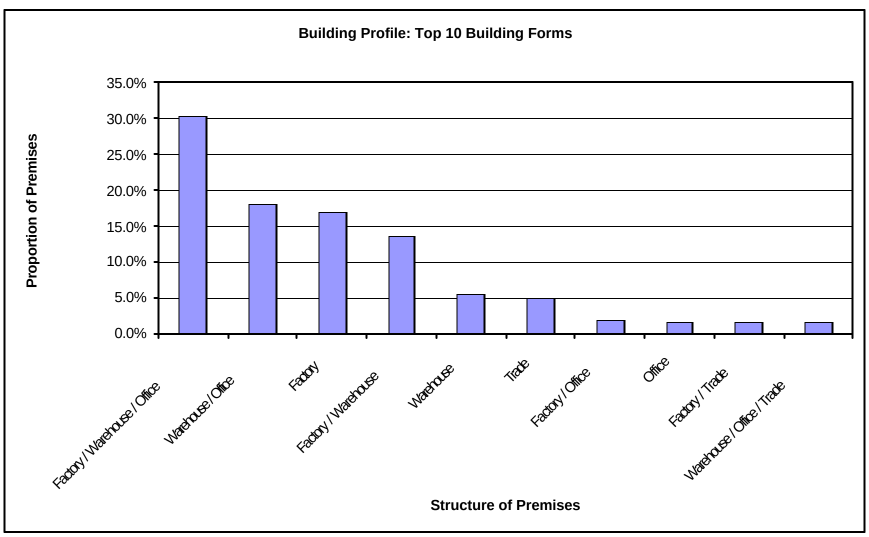


5.1.3 Maroondah Precinct Profile

- This precinct has 663 businesses and 95 vacant buildings or sites. Metal / machinery, motor vehicle and construction related firms feature prominently in this precinct. The combined factory / warehouse / office is the most common building form in this precinct.

Figures 14 and 15.

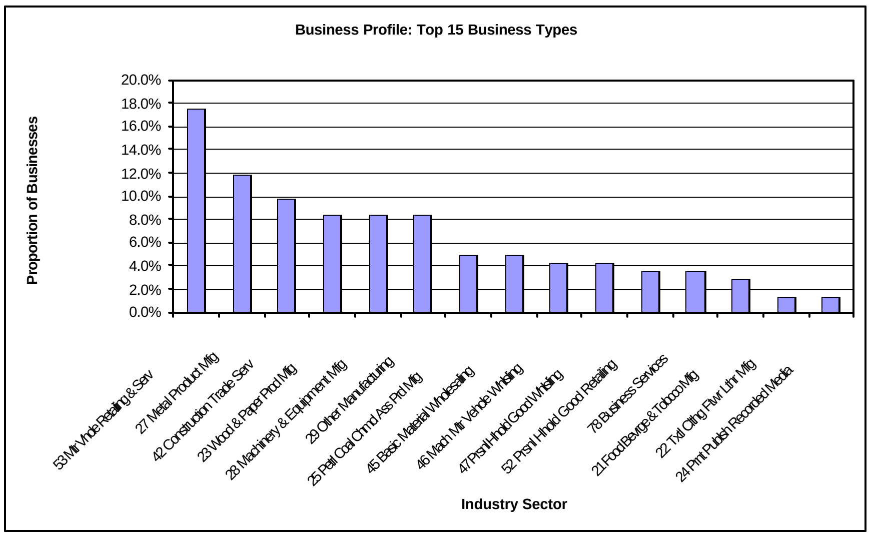


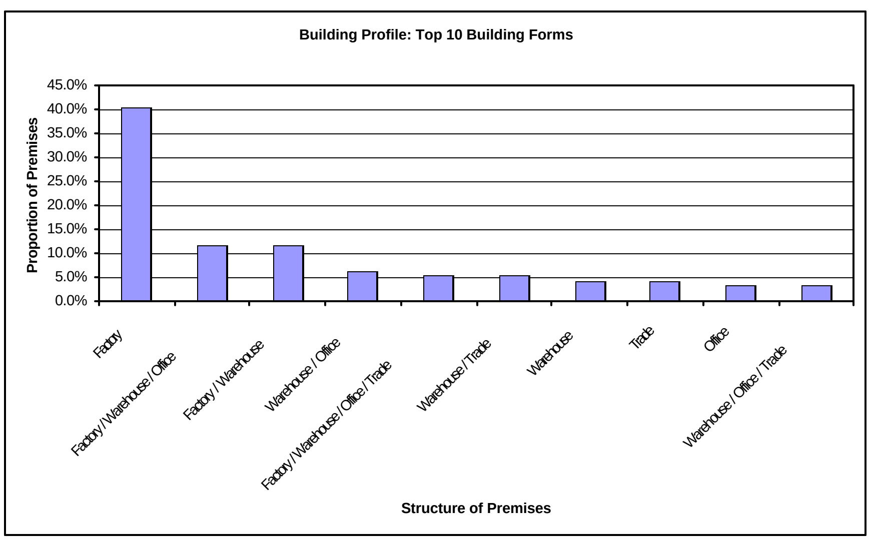


5.1.4 Yarra Ranges Precinct Profile

- This precinct has 147 businesses and 23 vacant buildings or sites. Motor vehicle, machinery / metal, construction and wood products related firms feature prominently in this precinct. The physical profile is dominated by small factories, some of which have warehouses and / or offices.

Figures 16 and 17.





5.1.5 Vacant Land and Building Profile

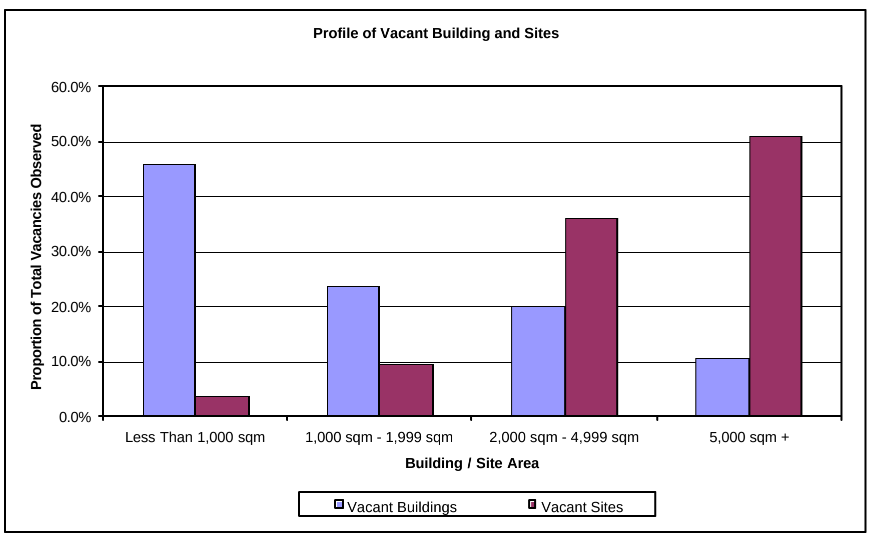
- Information on site and building vacancy was plotted on cadastral maps made available by the Department of Natural Resources and Environment. This information enabled site areas of vacant buildings and land to be determined. A summary of the results is shown in the chart below.

- This shows that vacant buildings tend to be small premises whereas greenfield sites tend to be larger rather than smaller.

- The property market analysis undertaken for this assignment (see Section 6 and Appendix 2) suggests that site / building sizes in the range of 2,000 sqm to 10,000 sqm are the most sought after.

- Hence the large number of vacant small factories (or 'factoryettes'), which are generally older premises, represents a wasted opportunity for the study area.

Figure 18 .



	Vacant Buildings	Vacant Sites	Total
Less Than 1,000 sqm	77	3	80
1,000 sqm - 1,999 sqm	40	8	48
2,000 sqm - 4,999 sqm	33	31	64
5,000 sqm +	18	43	61
	168	85	253

5.2 Survey of Study Area Businesses

- A survey of 100 businesses was undertaken in December 2001 to learn more about the business characteristics of the study area. The survey sought information on site function, size of firm and job type, duration at site, export status, business relationships, size of premises and floorspace composition.

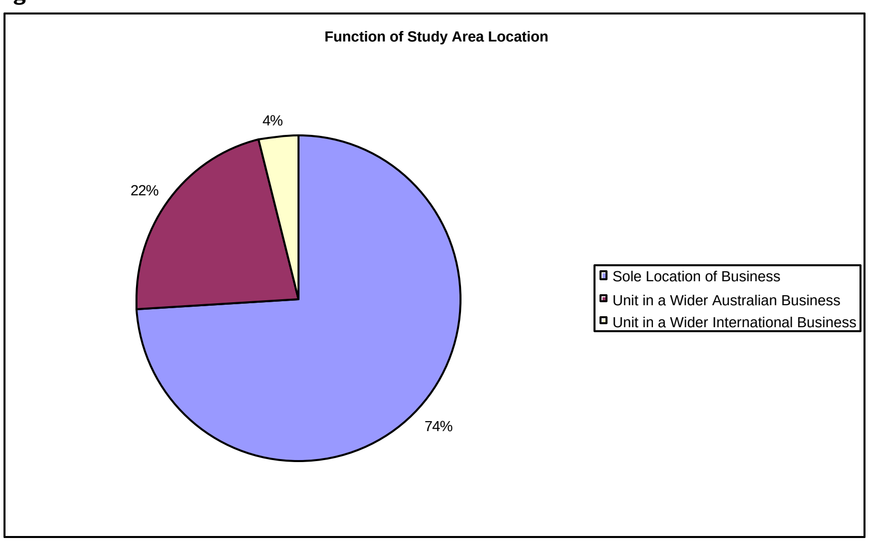
- In pursuit of a representative sample, firms were stratified according to general manufacturing / engineering, office / warehouse, service industry, trade (retail & wholesale) and other. Firms in these groups were randomly selected for survey.

- Appendix 1 provides details of the survey outputs.

5.2.1 Site Function

- Although most businesses in the study area are sole locations of a business, there are a significant proportion of business units (26% in total).

Figure 19.



5.2.2 Size of Firm and Job Type

- The average number of jobs per firm is 31, with a median of 7. Most firms in the study area are small and medium size. Over half have less than 10 staff in total.

- The study area's job stock primarily consists of 'production workers', engaged in technical, trade and labouring occupations.

Figure 20.

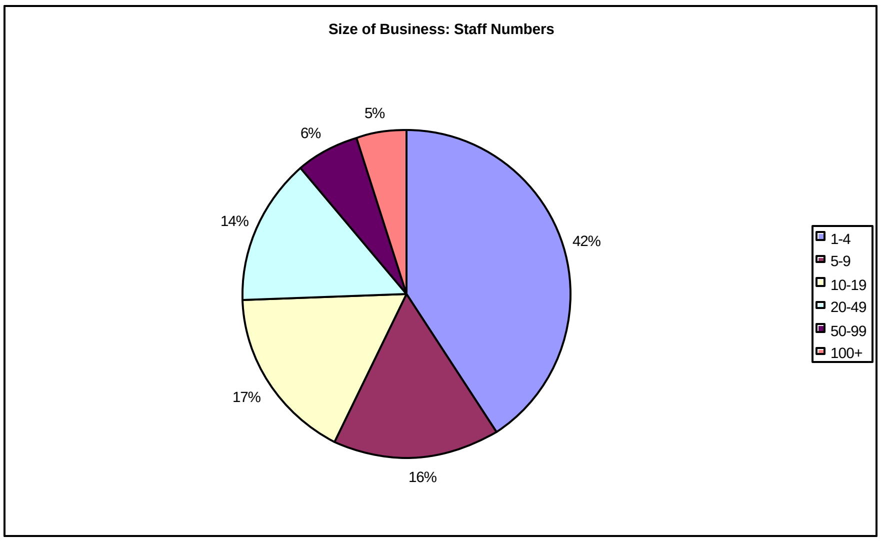
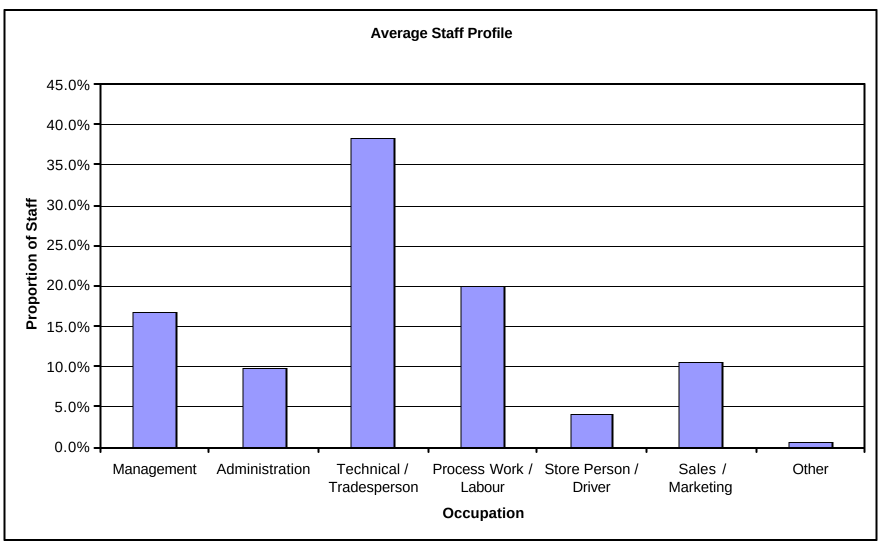


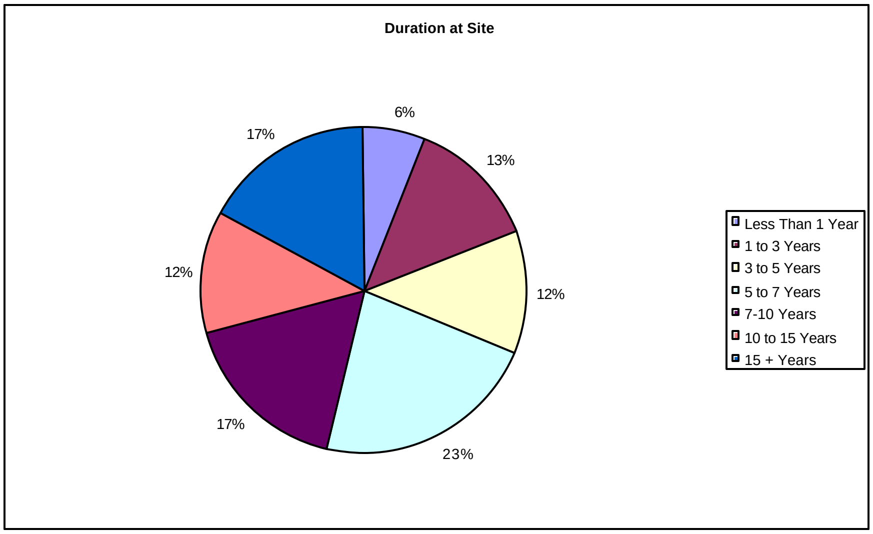
Figure 21.



5.2.3 Duration at Site

- Average duration at the existing site is 8.8 years (median 7.0). This indicates that the study area has a significant number of long-established firms.

Figure 22.



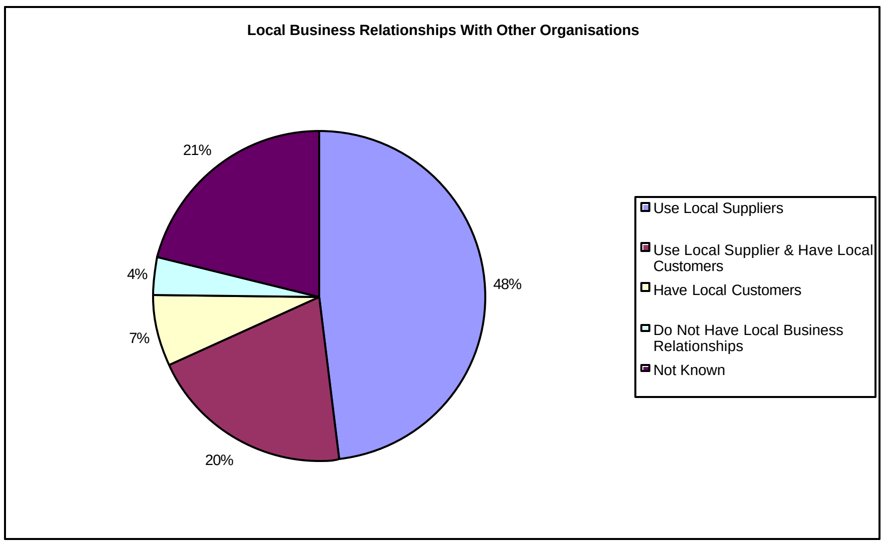
5.2.4 Export Status

- Of the 100 firms surveyed, 23 have export sales, 6 do not and 70 were unable to provide a response to this question. Of those that do have international sales, exports comprise 12% of turnover on average.

5.2.5 Business Relationships

- The survey results indicate that most businesses in the study area (at least 75%) have some form of business relationship with another firm in the study area. This is high and is likely to be a reflection of the established nature of the study area in which firms have developed some form of customer and / or supplier relationship.

Figure 23.



5.2.6 Size of Premises and Floorspace Composition

- The average floorspace of firms in the study area is 2,004 sqm, with a median of 700 sqm.
- Floorspace range information shows that buildings with an area of up to 5,000 sqm are popular.
- The floorspace composition of premises is generally dedicated to production and warehouse activity, reflecting the 'traditional' industrial character of the study area.

Figure 24 .

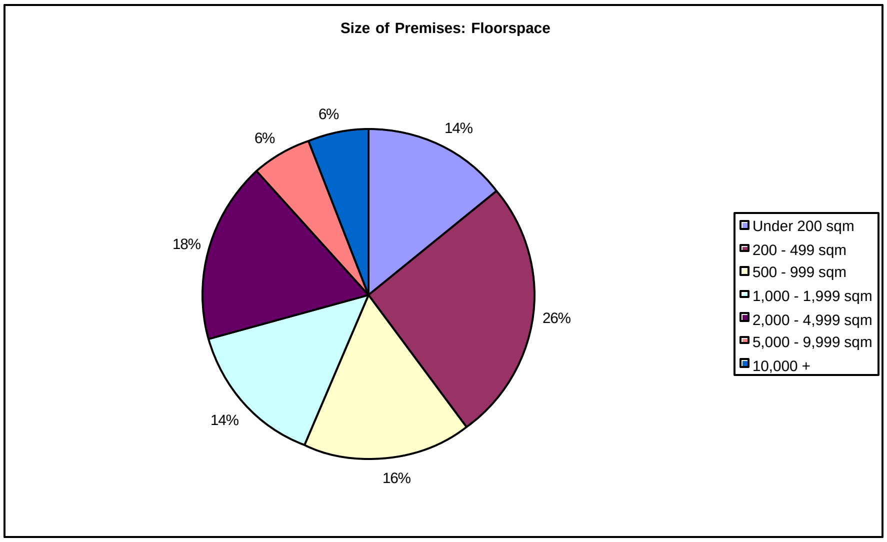
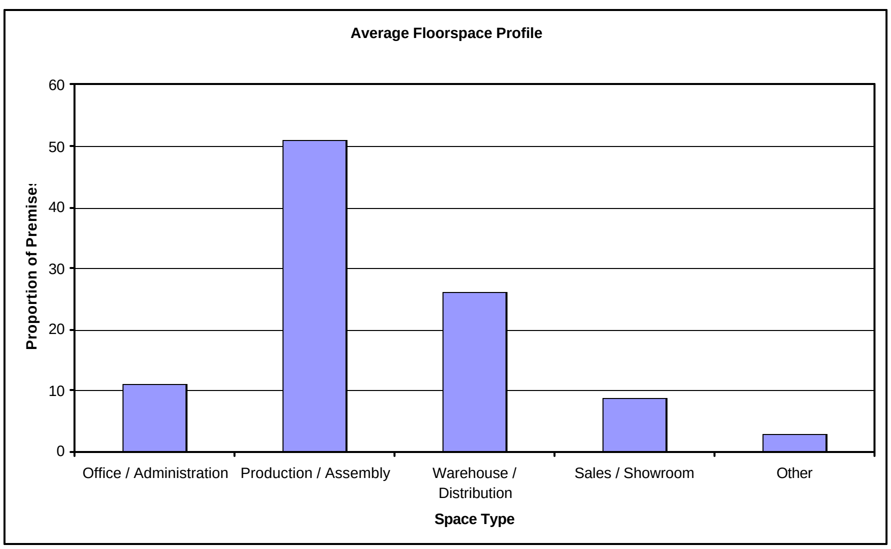


Figure 25 .



6 PROPERTY MARKET CONDITIONS

This section reviews property market conditions for the study area. The information in this section is drawn from a report prepared by LandMark White prepared specifically for this study. The full report, which is presented in Appendix 2, contains:

- An overview of the study area in a metropolitan context;
- A profile of development patterns and property market indicators for nine precincts within the study area; and
- Development trends and projections for the study area.

The following pages synthesise the main findings of the property report in terms of existing conditions, trends & issues and possibilities. Sources of information are shown in the full report.

6.1 Land Profile

- The study area is a concentration of industrial areas flanking Canterbury Road and Mountain Highway, and contains approximately 735 hectares of industrial zoned land. Industrial land within the study area is zoned Industrial 1.

- The study area comprises 3.2% of the total metropolitan industrial land stock (23,025 hectares), 24% of the eastern industrial region's total and 42% of industrial land in the three municipalities.

- Of this quantum, 89 hectares is undeveloped, unencumbered greenfield land. This accounts for about 12% of study area land (1% of the undeveloped industrial land stock in Melbourne and 11% in the eastern region).

- Industrial land in the study area is dissected by a reservation for the Healesville Freeway. This reservation accounts for a significant proportion of industrial land in the area (ie. approximately 47 hectares). The Department of Infrastructure has no firm plans to develop the Freeway.

- Based on past trends of land take up, remaining supply is estimated to be around 11 years (from early 2002). In other words, the major greenfield sites are expected to be fully developed in 2013.

6.2 Business Profile

- The Croydon, Kilsyth, Bayswater, Bayswater North and Boronia areas, as distinct from the study area specifically, have in the order of 5, 555 discrete businesses. About 42% of enterprises are involved in manufacturing (particularly manufacture of machinery and equipment) and about 37% are involved in the construction industry.

- The study area has a mixture of business and precincts. Although the majority of businesses are small, a significant number of large firms are located in the study area as well, especially along the Mountain Highway corridor.

6.3 Property Precinct Profile

- The study area comprises a number of discrete precincts which have their own character and function. A summary of the main features of nine precincts follows. See Appendix 2 for more detail.

6.3.1 Canterbury Road Corridor

- The precinct is characterised by peripheral-sales style retail premises catering to trade sales, hardware and auto-accessories. These businesses blur the traditional line between industry and retail. These premises include Hardware House, Bayswater Bulk, Sydney's Lounges and Bedding and Sherwan Garden and Building Supplies.

- The preference for sites in this corridor from the bulky goods sector arises from main road exposure and low industrial land rents, which allows showcasing a large range of merchandise with lower overheads, thus gaining a competitive advantage. Bulky goods can outbid competitors for sites due to their financially intensive site use.

- Other uses include larger companies (such as Dupont, Kenworth Trucks and Vitapacific Foam) and smaller operations such as caravan sales, display homes, granny flat sales, self-storage, food packaging, truck parts, metal fabricators and medical technologies.

6.3.2 Bayfield Road East and Environs

- Premises in this precinct are predominantly developed in the 1970s and early 1980s.

- Uses in this precinct include auto servicing and customisation, engineering services, furniture assembly, shop fitting, metal spinning and a concrete plant.

- There are several smaller industrial units for sale (less than 400 sqm). A recent sale price for a 2,024 psqm vacant lot with a 36m frontage (approximately) was $210,000, which represents about $103 psqm.

6.3.3 North of Canterbury Road between Dorset and Colchester Roads

- This area includes a pocket of industrial development predominantly constructed on the 1970s and early 1980s. This area is fully developed.

6.3.4 Merrindale Estate

- This is considered to be the best industrial precinct in the study area. Premises are a mix of one and two storeys of recent and quality construction with a comparatively high office content. The estate was first developed in 1992 and sites range from 1,781 sqm to 3.34 ha.

- Uses include Australian Automotive Air, a kitchen manufacturer and wholesaler, a shop fitting business, roof truss / wall frame fabricators, industrial modular systems, sheet metal fabricators and an engineering business.

- Purchasers of industrial property in this area are predominantly local private companies. There is little landbanking in the area, and sites are predominantly owner occupied.

- Fourteen lots in the area remain undeveloped. Land values in the area have risen from $40 psqm in 1992 to in excess of $100 psqm in 2000. Only two vacant lots remain on the market. A new 1,097 sqm building is currently for lease at an asking rent equivalent of $95 psqm pa.

6.3.5 Maroondah Industrial Estate

- This is a newly developed 34 lot industrial subdivision. All lots have sold, and the sale price is around $100 psqm. With the exception of several lots sold to a developer, most lots have been sold to owner-occupiers.

- Users include packaging suppliers, book publishers and printers and an auto mechanic.

- The median lot size of 3,145 sqm. The developer-owner is seeking to rent industrial units at the rate of $59 to $65 psqm pa.

6.3.6 Mountain Highway Corridor

- This area is characterised by large-scale industrial development.

- Glaxo Smith Kline (pharmaceuticals) is based in the study area, accommodating approximately 1,000 employees. The firm is seeking to expand its office and warehousing units on site.

- Siemens Pty Ltd (German electronics company) has based its Australian headquarters in the study area. The head office was in Richmond but was consolidated with the Mountain Highway warehouse unit to improve organisational synergies. Siemens is seeking to expand its information technology unit by 100 people (which could equal about 2,000 sqm of office space).

- Boeing Hawker de Havilland (aeronautical) has based operations in Bayswater for about 40 years.

- Pacific Dunlop (engineered products) has announced site closure in Bayswater and will release an 8.3 hectare site to the market.

- Southcorp Pty Ltd (white goods) has withdrawn from its study area site. It is understood that the site may be placed on the market in the near future (approximately 12 hectares).

6.3.7 Kalman Drive Estate

- Kalman Drive is one of the three new development clusters in the study area (along with Merrindale and Maroondah). The purchasers are locally based private companies intending owner-occupation.

- Kalman Drive sites have a median area of 2,100 sqm. Four vacant lots have been sold within eight months, leaving four vacant lots on the market. Remaining sites are selling for $75 to $86 psqm.

6.3.8 Macquarie Place

- This is a low profile estate. The area is characterised by a number of older style small industrial units developed in the 1970s.

- Users include small manufacturers, wholesalers, automotive parts manufacturers, panel beaters, printers, steel fabrication and electrical repairers.

- There are a number of sites available for lease, with asking rents in the vicinity of $58 psqm pa. Most businesses in the area are on short leases (12 months maximum).

6.3.9 South West of Dorset Road and Mountain Highway

- Dorset Road industrial premises are typically two level, high clearance office warehouses of brick or tilt up panel construction, dating from the late 1980s and early 1990s.
- Users include retailers of gas and wood heaters, arc fencing and a tile factory outlet.
- The area is nearing full development. Asking rentals in the area are in the vicinity of $50 psqm pa.

6.4 Development Trends

- Older premises in the study area tend to be occupied by manufacturers and vehicle service and parts businesses. Newer premises tend to be occupied by wholesalers or consumer related businesses.
- Demand for industrial space (especially small premises) is derived from local region businesses. Demand is predominantly generated through existing industrial business looking to upgrade their premises.
- Over ten years, the study area has accounted for 2.6% of sales of industrial land in the metropolitan area, with a downward trend over this period.
- Since July 1997, the three municipalities within the study area have attracted a variable share of metropolitan industrial building activity (from 3% to 23%). The average was 10.5%.
- The volume of building activity in the area is seasonal, but tends to peak in the middle of the year.
- There has been a downward trend in the total volume of industrial construction over the last four years.
- There is an upward trend in the average value of each project, rising from $160,000 in 1997 to $325,000 in 2001 (annual 19.8% compound growth).

- New developments in the pipeline (for late 2001 and 2002) are valued at $39 million and include 4 office developments, 3 warehouse developments, and 2 factory developments.
- Over the last ten years the study area accounted for an average of 1.3% of reported metropolitan leasing activity. The share has varied over this time from 6% to 0.7%.
- There have been 46 leasing deals within the study area involving 60,600 sqm over the last ten years.

6.5 Development Issues

- The Healesville Freeway reservation presents a major potential future development opportunity.
- A perception of difficult access inhibits occupier demand and rent levels within the study area. The development of the Eastern Freeway extension and the planned Scoresby Freeway may alter this perception.
- Real estate agents note that occupiers have a preference for industrial land in Scoresby as opposed to the study area due to superior profile and accessibility. Scoresby has substantial residual stocks of land.
- Sales have been constrained by a lack of available industrial land. Prices have risen to reflect this scarcity and currently average $100 to $110 psqm in the Merrindale Estate.
- Nevertheless, new development is inhibited by comparatively low rents. Recently constructed industrial premises rent for between $55 and $60 psqm pa (net).
- High office content premises attract slightly higher rents.
- With interest rates low, demand for owner-occupied premises is likely to continue to outstrip demand for leased premises.

6.6 Projections

- The area's greenfield industrial land bank (not including the Freeway reservation and redevelopment opportunities) will be exhausted around 2013.
- Development will continue to focus on the Merrindale Estate, which could be fully developed by mid 2003.
- Subdivision of a 40-hectare parcel on the South West Corner of Canterbury and Dorset Roads will commence sometime in 2002.
- Other potential near term supply includes the former Pacific Dunlop plant and possibly the Southcorp site on Mountain Highway.
- The development of the Eastern Freeway extension and planned Scoresby Freeway could accelerate demand for land in the area over the next two years.
- Lack of vacant industrial land will severely constrain the study area's ability to attract new industrial businesses.
- Fragmented land ownership and leasing legacies are a constraint to development and redevelopment of established areas, some of which have pockets of under-utilised land.

6.7 Possibilities

- The main areas of investment activity in terms of land development are the Maroondah, Merrindale and Kalman Drive estates.
- The Healesville Freeway Reservation represents future development opportunity, should this be released for development.
- There are a number of 'spot-sites' and under-utilised land area in the study area. Consolidation and development of these presents an opportunity.

- A number of large sites are expected to be available for acquisition in the near future, such as the former Pacific Dunlop site. The Southcorp site was sold in early 2002.

- Development trend information shows a growing demand for office space in larger premises based on consultations for this study and the property market analysis.

7 STAKEHOLDER ISSUES AND ASPIRATIONS

7.1 Consultation Process and Contacts

The consultation process for this study involved meetings with 25 organisations who provided information on a wide range of topics. To this end, the following 31 individuals in 25 organisations were consulted (in alphabetical order of organisation).

Mike Brassington	ANCA
Terry McKay	Australian Automotive Air
Jack Whitney	Boeing Hawker de Havilland Components
Christine Lafferty	Club Décor
Leo Fenech	Club Décor
Helen Praeger	Croydon Chamber of Commerce and Industry
Gayle Woods	Croydon Chamber of Commerce and Industry
Brian Gothard	De Bortoli Wines
Peter Elliot	Department of Infrastructure, Land and Development Information
Peter Watkinson	Department of Infrastructure, South East Metropolitan Region
Bill Ranaghan	Department of Infrastructure, South East Metropolitan Region
Asok Rao	Department of Infrastructure, South East Metropolitan Region
Ron Pilkington	Department of Innovation, Industry and Regional Development, Eastern Metropolitan Region
Phil Osbourne	GlaxoSmithKline
Louise Di-Giusto	Jobs East
Glen Walker	Kenworth Trucks
Ben Fuller	Knight Frank
Grant Meyer	Knox City Council
Phil Turner	Maroondah City Council
Sean McNamee	Maroondah City Council
Denis Graham	Maroondah Credit Union
Chris Ogilvy	Placard
Russell Hutton	Radio Frequency Systems
Bruce Bryan	RC Roberts Furniture
David Sinden	Siemens
Barry Clement	Siemens
Ian Nicholson	Sigma Pharmaceuticals
Anne Langworthy	Swinburne University, Lilydale Campus, Centre for Regional Development

Bruce Gidley	Vic Roads, South East Metropolitan Region
Julie Graham	Yarra Ranges Shire Council
David Reeve	Yarra Valley Cabinets

Following consultations, a strategic options paper was prepared. This identified a number of action plan options. This paper was circulated to steering committee members and to all of the above contacts for comment. A workshop was held to provide interested persons with an opportunity to hear the consultant team present the proposed actions, and to provide a further opportunity to discuss and comment on these. This workshop was held at Siemens head office in Bayswater (on 8 March 2002) and was attended by approximately 15 persons. Following the review period, action plans were developed in detail. These are presented in Volume 1 – Strategic Action Plan.

7.2 Summary of Topics and Comments

Topics raised and comments made by respondents are summarised below. The main points made during consultations are elaborated in relevant sections of Volume 1 – Strategic Action Plan.

Roads – Many comments focussed on roads. Some respondents felt that the road network is a strength of the area, but most cited roads as being a weaknesses and needing attention by government agencies. Particular issues are:

- Increasing congestion, especially on links heading towards the city centre and to ports and national transport networks (ie. congestion on Canterbury Road and Mountain Highway and convergence of traffic to Eastfield Road);
- The standard / state of repair of main roads, especially Canterbury Road; and
- The appearance and amenity of some streetscapes is poor.

Healesville Freeway – There are no plans for construction of this road in the immediate future, but there are no proposals to remove freeway planning either. Temporary leasing arrangements are possible on the proposed freeway route whereby the preference is for structures of a portable nature that can be removed easily at no cost to the State. The Outer Eastern Transport Strategy study is currently being undertaken.

Healesville Freeway route land could be a potential public transport corridor.

Urban Design and Image – The 'quality' of the urban environment received mixed reviews. Some respondents felt that it is important to have a functional or working industrial area and on this basis urban design standards are of little importance. Others felt that a higher amenity presentation was critical to the future of the area, and its ability to attract and retain businesses. On this basis a precinct based approach to urban design was advocated.

Open Space and Natural Environment– Stakeholders that value higher amenity environments also value open space links such as creek lines and the natural environment relating to the bush character of the Dandenong Ranges. This was cited as being one of the study area's existing and potential strategic advantages as a business location for those businesses. One stakeholder reported that some firms, especially small 'service' industry firms, discharge wastes into stormwater drainage systems. This practice not only damages the environment but also is in conflict with objectives of firms seeking a high amenity address.

Business Issues – Businesses raised many issues that are unique to each business and said that issues rapidly change. Issues relating to tax, insurances, exporting, Workcover (due to cost), payroll tax, industrial relations, Occupational Health and Safety standards, low interest loans and others were raised as being of concern.

Organisational Networking – Networking was cited as being very important for business development in the area. Information sharing and relationship building is a key method by which businesses can forge strategic business relationships. Just knowing who is in the area and what capabilities are available is very important. Comments included:

- A need to continue existing networking forums (ie. Bayswater Business Network) and to build on these;
- Help businesses develop supply chains in industry sectors;
- Develop more scope for cross-sectoral / organisational collaboration and sharing (ie. between businesses, local government, State agencies, Croydon Chamber of Commerce

and Industry, education providers and other regional bodies);

- Need to get strong industry leadership happening;
- Establish opportunities for educational institutions to become more involved in manufacturing industries.

Interface Issues – This topic was citied as being an existing issue for some firms but seen as being a greater issue in the future for a larger pool of stakeholders. This includes operational (noise, vehicle movements) and image conflicts between industry and residential areas and between types of businesses (ie. those that have traditional or 'noisy' production operations and those that have higher amenity aspirations). Buffering between precincts is therefore seen as being very important.

Intrusion of Retail and Related Uses into Industrial Areas – Many retail / showroom uses have the capacity to outbid industrial uses along main roads. Hence pressure for this type of use will continue throughout the study area, especially on the main roads. Comments received from stakeholders suggested that this use should be supported in a designated area, but not throughout the industrial areas, which should be maintained for industrial activity.

Problems with Other Physical Infrastructure – Some businesses also revealed that there is a degree of concern regarding the availability and standard of other physical infrastructure required by business, namely electricity reliability and the choice of information technology & telecommunications services.

Small Business Capital – A number of stakeholders suggested that the study area is primarily a small business capital and a high number of vacant small factory buildings assist small business development. However, surveys undertaken by Business East indicate that there is high turnover / failure rate in this sector.

Site Development Constraints – Some businesses cited lack of room for expansion in the study area, due to land availability and planning regulations, could be a reason for the firm to consider relocation. Further fragmentation of the region into small lots should be avoided to enable firms to purchase sites for expansion.

Furniture Industry – This industry was cited as being under significant import pressure and the future of the local industry is in doubt. Cheaper imports, especially from China, are threatening the viability of firms and the industry. Some stakeholders cited a need for specific and targeted information and support, not generalist information, as being of some use. This could include information relating to current developments in the sector and availability of assistance programs. Furthermore, a program for producing appropriately skilled labour consistent with industry demands was cited as being desirable.

Skills and Labour Force – The skills available to businesses received mixed reviews. Some firms cited skills and a reliable labour force as a strength of the area. Having a capacity to draw upon a large pool of workers (mainly vocational) is a significant advantage of the location. Other firms cited great difficult in accessing certain skills sets including professionals / business managers and specialised trade persons (eg. in metals and furniture). A common theme was that local training providers do not necessarily offer the range of skills desired by local businesses.

Future Role of the Study Area – Again this received mixed commentary ranging from functional industrial (where activities that have off-site noise and other impacts can operate) to an aspiration of a high technology industry precinct. It is likely that the State Government's Metropolitan Strategy will seek to maintain the area as a functional industrial area in the main but certain precincts are already developing a business park / high technology appearance.

8 APPENDICES

Appendix 1 – Survey of Study Area Firms

- A survey of 100 businesses was undertaken in December 2001 to learn more about the business characteristics of the study area. The survey sought information on site function, size of firm and job type, duration at site, export status, business relationships, size of premises and floorspace composition.

- Participating firms were:
  - AA Air Supplies
  - AA Industrial Suppliers
  - ACW Truck Repairs
  - Advance Linemarking
  - Advanced Poly Fusion
  - AIJ Service
  - All round cabinets
  - ALMA Automotive
  - Alpine Wood Heating
  - Aluminum Express
  - ASMA Motor Car Service
  - Australian Fishing Network
  - Australian Hot Taps
  - Australian Solenoid
  - B&D Australia
  - Barella
  - Bargain tiles
  - Barola Bearings
  - Barry St Powder Coating
  - Bayswater Bulk - The Good Guys
  - Bayswater Engineering
  - Beers Furniture Express
  - Black Art Fabrications
  - BLM Sheetmetal
  - Bluey's Ute World
  - Bonza Snowballs
  - Boronia Upholstery
  - Cleveland Panels
  - Clive Peeters
  - Concrib Construction
  - Contstruct
  - Continental
  - Country Lane Homes
  - Craythorn Engineering
  - Creative Cardboards

- Creek Metal Industries
- CSR Emoluem
- Dairy Farmers Classique
- Davis furniture
- Delta Pak
- Eastern Auto Paints P/L
- Eastern Wheel Works
- Educational Colours - national art materials
- Fabmetal Specialists
- Favourite Foods P/L
- Fivestar Graphics
- FJ Saw Services
- Glen Cameron Group
- Grant Walker Motors
- Interconnection
- J & P Flexographics P/L
- Jenkin Brothers Engineering
- Kaloola Cabinets
- Krueger
- Lazar shopfitting and services
- LCM Engineering
- Lightning Pumps
- Littlepage Automotive Services
- Mark Sensing
- Markforce P/L
- Meander Books
- Megara (Australia) Pty Ltd
- Megatron Electronics
- Monica Plastics
- Montana Confectionary
- Multicrop
- Neon Cosmetics
- New Sector Engineering
- Nispares
- Orchid Furniture
- Outboard Motor Salvage
- Oxford Chemicals
- Petcher Welding
- Peter & Son Panel Beaters
- Racers Edge Cycle Style
- Ramar Engineering
- Reliable Radiator Services P/l
- Riverton Engineering
- Scental Pacific P/L
- Screen Graffiti
- Seahawk P/L
- Shadeworld
- Siemens
- Skippee Australia P/L
- SMC Automotive Repairs
- Steelfort Engineering

- Superior Skylights
- Sydney Lounges
- The Original Prop Shop
- Toolsharp Engineering
- United Filters
- Uniweld Engineering
- Volkspeed
- Waterway Automotive
- Waugh's Industrial Supplies
- Wenro Windows
- WH Electrics
- Woodsun Products Australia
- Yarra Valley Cabinets

- The following table presents the results of the survey. Note that the order of firms above versus information does not align to preserve company anonymity.

Appendix 2 – Property Report

- LandMark White undertook a property analysis of the study area for the purposes of this assignment. The report is attached.

LandMark White

property analysis report

Property	Bayswater and Bayswater North Industrial Area
Prepared for	SGS Planning
Date	10 October 2001
File reference	7985/11598

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contents

summary

- Located in Melbourne's outer east, the Bayswater-Bayswater North industrial comprises of 734 hectares of industrial zoned land flanking Canterbury Road and Mountain Highway. These two routes represent principle connections form the area to the eastern suburbs and city.

- Access to the area would improve with the construction of the Scoresby Freeway. The state and federal government recently announced that construction of this Freeway would commence in 2002 for completion by 2008.

- The study area has approximately 135.5 hectares of undeveloped industrial zoned land, or 18% of the eastern suburban and 1.7% of the metropolitan total. Some 47 hectares are encumbered by the Healesville Freeway reservation, leaving 88.5 hectares of unencumbered undeveloped industrial land.

- Over the last decade the study area has accounted for 2.6% of metropolitan industrial land sales and an average 1.3% of reported metropolitan leasing activity.

- The Bayswater/Bayswater North area comprises some major industrial occupants, such as GlaxoKlineSmith, Southcorp, Siemens and Boeing These are concentrated within the Mountain Highway Corridor.

- The overwhelming majority of businesses within the area are small, employing fewer than five staff.

- Construction trades, machinery and equipment manufacture, metal product manufacture, wholesaling and transport uses are strongly represented within the area.

- Demand for industrial premises within the study area substantially originates from businesses already present in the area and is largely driven by the need to expand or upgrade. Demand from businesses relocating from other parts of the metropolitan area is very limited and is presently inhibited by a perception of poor transport access and limited exposure.

- Bulky goods retailers and 'peripheral sales' outlets tend to be clustered along Canterbury Road.

- Older style industrial premises tend to be clustered in pockets north of Canterbury Road.

- Active estates with available land include Maroondah estate, Merrindale estate and Kalman Drive. Purchasers tend to prefer sites these estates over lots in older industrial precincts elsewhere in the study area.

- Recent development within these estates tends to be of a high standard of construction.

- Buyers typically favour lots of between 2,000 square metres and a hectare. Larger lots (in excess of 1 hectare) tend to move more slowly.

- Going forward, industrial development within the in area is likely to be somewhat constrained by a lack of development sites. We estimate approximately eleven years' supply of development land remains on recent levels of take up. This would increase to around seventeen years' supply were the Healesville freeway reservation to be removed.

- The removal of the Healesville Freeway reservation could release 47 hectares of industrial land for development. We recommend that the local municipalities lobby the Department of Infrastructure to this end.

Robert Buckmaster BTRP (Hons) AAPI ASIA
Manager - Research

introduction

2.1 instructions

SGS Planning has been commissioned by the Cities of Knox and Maroondah and Shire of Yarra Ranges to prepare a Strategic Action Plan for the Bayswater-Bayswater North Industrial Areas. The study involves a number of tasks in the 'Audit' phase, one being an analysis of the property market. This report was commissioned by Alex Hrelja, Senior Consultant at SGS Planning to provide this in depth property market analysis.

Our specific instructions were :

1. To analyse the property market in the study area to establish the various 'land use categories' that apply to it.

2. To assess the strength / depth of the various categories in terms of:
   - a snapshot of the current situation;
   - trends over the past 10 years; and
   - forecasts over the next 10 years.

3. Provide evidence of the above with:
   - Sales data / records;
   - Lease data / records;
   - Vacancy data / records;
   - Take up / absorption data / records; and
   - Other information as appropriate.

4. To make professional observations and conclusions regarding the 'role' of the study area now and into the future as an industrial location in the context of the wider metropolitan area. This analysis should provide information on the type of activities that will demand space in the study area and type of space and buildings sought after; and any hindrances / obstacles to further development / investment in the area.

Our analysis has focused on land zoned land within the study area.

A copy of the instructions in respect of this request is contained in Annexure 3.

Maps depicting the study area in its metropolitan context and local environs are included in section 3.

2.2 dates of inspection

We inspected the Bayswater/Bayswater North study area on two successive Fridays: the 5th and 12th October, 2001.

overview

3.1 the study area

Located in Melbourne's outer east, the Bayswater - Bayswater North study area is concentration of industrial areas flanking Canterbury Road and Mountain Highway.

The location of the study area in its metropolitan context is depicted in map 1 on the facing page.

The study area straddles three municipalities (Maroondah, Knox and Yarra Ranges) and six suburbs (Bayswater, Bayswater North, Boronia, Kilsyth, Kilsyth South and Croydon South). The study area is depicted in the map forming Annexure 1 to this report.

According to the Department of Infrastructure, the study area has approximately 457 hectares of industrial zoned land. These are shaded pink and green, respectively for occupied and unoccupied, in map 2 on the following page.

Numbers on map 2 correspond with photo numbers (to avoid clutter, not all photo locations are shown on the map).

We have divided the study area into nine separate precincts which are detailed in section 6 of this report.

3.2 locality and surrounding development

The suburbs within which the study area is located have a combined area of 41.18 square kilometres and estimated resident population of 53,380 (source: 1996 census). As is evident from table 1 below, this population has been comparatively static in recent years, even declining marginally (down 0.3%) over the five years to 1996.

The housing stock predominantly comprises detached dwellings of brick veneer or timber construction, typically constructed during the 1960s through early 1980s.

The area has a predominantly blue collar workforce, with significant proportions employed in the manufacturing and wholesale and retail sectors (refer table 2 below).

Table 1: area and population of surrounding suburbs

		resident population	
	area (sqkm)	**1991**	**1996**
Bayswater	7.92	10,599	10,073
Bayswater North	6.58	7,421	7,459
Boronia	11.26	20,479	19,516
Croydon South	2.59	4,039	4,418
Kilsyth	9.47	9,983	9,724
Kilsyth South	3.35	993	2,190
	41.18	53,514	53,380

source: Suburbs in Time, Department of Infrastructure

Table 2: employed persons by industry, surrounding suburbs

manufacturing	5,776	22.5%
electricity gas & water	151	0.6%
construction	2,117	8.3%
wholesale & retail	6,217	24.2%
transport & storage	858	3.3%
total employed	25,656	

source: Suburbs in Time, Department of Infrastructure

3.3 planning

The industrial areas within the study area are zoned 'Industrial 1' zone under the planning schemes of Knox, Yarra Ranges and Maroondah.

Industry, other than materials recycling and warehousing (other than a mail centre) are a 'section one' use (does not require a permit) in this zone subject to certain conditions. These conditions include a minimum setback from residential and Business 5 zones and prescriptions that the use not adversely affect the amenity of the neighbourhood.

Materials recycling and a narrow definition of retail premises are section two uses (legal, subject to obtaining a planning permit).

The provisions relating to the Industrial 1 zone form annexure 4 to this report.

The planning information set out in this report has been provided by electronic data via Stratagem Info Base. No responsibility is accepted for the accuracy of that information and if it is wrong in any significant respect, my analysis may be different. Proper searches and enquiries should be made before reliance is placed on my analysis.

3.4 road system access and exposure

Canterbury Road and Mountain Highway are the principal east-west routes servicing the study area, providing the main connections to the eastern suburbs and city. East of the study area Mountain Highway feeds into Burwood Highway.

The major north-south routes servicing the area include Bayswater Road (which becomes Scoresby Road south of Mountain Highway) and Dorset Road. The principal north-south route of the outer eastern suburbs, Springvale Road, is situated approximately 7 km west of the study area.

In our discussions with local agents, a perception of difficult access was frequently cited as a factor inhibiting occupier demand and rent levels within the study area relative to other industrial precincts in the eastern and south eastern regions, such as Scoresby and Dandenong. Agents note an increasingly typical requirement from prospective tenants that the premises be within five minutes drive of a freeway exit/entrance.

We anticipate this negative perception is likely to change with the development of the proposed Scoresby Freeway.

3.4.1 scoresby freeway to be finished by 2008

In October 2001 the state and federal government announced a commitment to commence construction of the Scoresby Freeway in 2002 for completion by June 2008. The proposed 34 kilometre freeway will link Ringwood in the Outer East through Dandenong to Frankston in the South East and connect the Eastern Freeway with the Monash and Frankston Freeways. The $890 million project will be jointly financed by the state and Commonwealth Governments.

An extension of the Eastern Freeway into Ringwood is currently under construction.

The new Scoresby Freeway will improve accessibility of the Bayswater/Bayswater North industrial area to Melbourne's central, eastern and southern areas and reduce traffic pressures on Canterbury Road.

3.4.2 no healesville freeway in the foreseeable future

The Bayswater/Bayswater North Industrial area is dissected by a reservation for the proposed Healesville Freeway, which generally runs parallel with Mountain Highway and Dandenong Creek. The reservation accounts for a significant proportion of the potential industrial land within the subject area (approximately 47 hectares).

First gazetted in the early 1960s, this project represents a long term proposal to link Springvale Road, Forest Hill, through to Maroondah Highway, Lilydale. The route was conceived at a time when it was envisaged that Lilydale and Healesville may form a major residential growth corridor.

The Department of Infrastructure will review the proposed route after the completion of the metropolitan strategy, currently being formulated. At this stage there are no plans to develop this freeway in the foreseeable future. Nevertheless, the Department of Infrastructure is resisting pressure from the City of Whitehorse to remove the freeway reservation from within their municipality.

3.5 services and amenities

The Belgrave suburban railway line runs through the study area, with stations at Bayswater (near the intersection of Mountain Highway and Scoresby Road), and Boronia (near Dorset Road). The Lilydale suburban railway line runs several kilometres north of the study area.

Bayswater in its metropolitan context

- According to research undertaken by the Research department of CB Richard Ellis in the latter part of 2000, metropolitan Melbourne has approximately 23,025 hectares of land zoned industrial. With 734.7 hectares, the Bayswater/Bayswater North study area accounts for 3.2% of the metropolitan total.

- For descriptive purposes the metropolitan area is typically subdivided into six main industrial regions. These are itemised below in table 3. The Bayswater/Bayswater North industrial area forms part of the Eastern region.

- The Eastern region has some 3,112 hectares of industrial land, or 13.5% of the metropolitan total. Approximately a quarter (24.6% or 765.6 hectares) had not been developed. The study area accounted for 18% of undeveloped land within the Eastern region.

- With 8,086 hectares (80.7 square kilometres), Melbourne's Western region contains the largest quantity of industrial zoned land. From map 1 it is evident that this is largely contiguous, flanking or abutting the Western Ring Road and Princes/Westgate Freeway.

- With only 19.4% of industrial land undeveloped, the study area has less scope for development than the wider Eastern region and significantly less than the metropolitan mean (33.8%). Its proportion of land undeveloped only ranks behind the Inner and Central Regions.

Table 3: industrial land by metropolitan region

	industrial land (ha)	% of total	vacant (undeveloped) land (ha)	% of land undeveloped	% metro total
North	3,702	16.1%	2,232.3	60.3%	28.7%
West	8,086	35.1%	3,282.9	40.6%	42.2%
East	3,112	13.5%	765.6	24.6%	9.8%
Study area	*734*	3.2%	*88.5*[1]	*19.4%*	*1.7%*
as % East	*14.7%*		*11.1%*		
Inner	2,050	8.9%	250.1	12.2%	3.2%
Central	857	3.7%	100.3	11.7%	1.3%
South East	5,218	22.7%	1,148.0	22.0%	14.8%
	23,025		7,779	33.8%	

source: CB Richard Ellis

- Other major industrial precincts in Melbourne's Eastern suburbs include Scoresby, Rowville, Maroondah Highway, Croydon North, Huntingdale, Clayton and Chirnside Park

[1] excluding land affected by the Healesville Freeway reservation

- Real estate agents active in the Eastern suburbs note an occupier preference for industrial land in Scoresby over the study area for reasons of superior profile and accessibility. The Scoresby industrial area has more immediate proximity to the managerial heartland of the middle and inner eastern suburbs and to the Monash Freeway.

- Scoresby has substantial residual stocks of industrial zoned land within major estates, including Slough Business Park at the south west corner of Stud and Fern Tree Gully Road within the Carribean Gardens. Our inquiries identified several substantial industrial land parcels within this area with a combined area in excess of 123 hectares available for future industrial development.

- Table 4 below sets out the number of industrial land sales within the Bayswater/Bayswater North Industrial area against land sales across the entire metropolitan area over the last ten years. (Due to a lag in the recording of sales the 2001 figures represent a very partial count – sales are recorded after settlement, which is typically two or three months after the signing of contract).

- The average size of lots sold was approximately 0.8 hectares, consistent with a take up rate of around 7.2 hectares per annum.

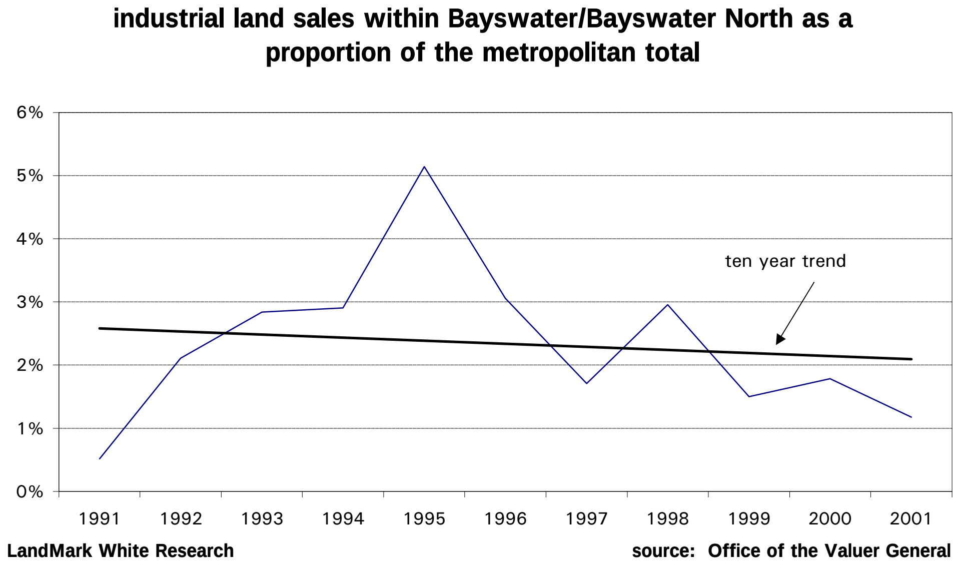
- Over the ten years, the study area has accounted for 2.6% of metropolitan industrial land sales. This share has trended downward over the period (refer figure 1)

Table 4: industrial land sales within Bayswater/Bayswater North compared with the Metropolitan area

	Bayswater/ Bayswater North	Metropolitan area	% of metro sales
1991	1	194	0.5%
1992	5	237	2.1%
1993	10	352	2.8%
1994	10	344	2.9%
1995	20	389	5.1%
1996	11	360	3.1%
1997	7	410	1.7%
1998	14	474	3.0%
1999	7	466	1.5%
2000	6	336	1.8%
2001 (provisional)	1	85	1.2%
1991-2000	91	3562	2.6%

Source: Office of the Valuer General (Prism sales database)

Figure 1

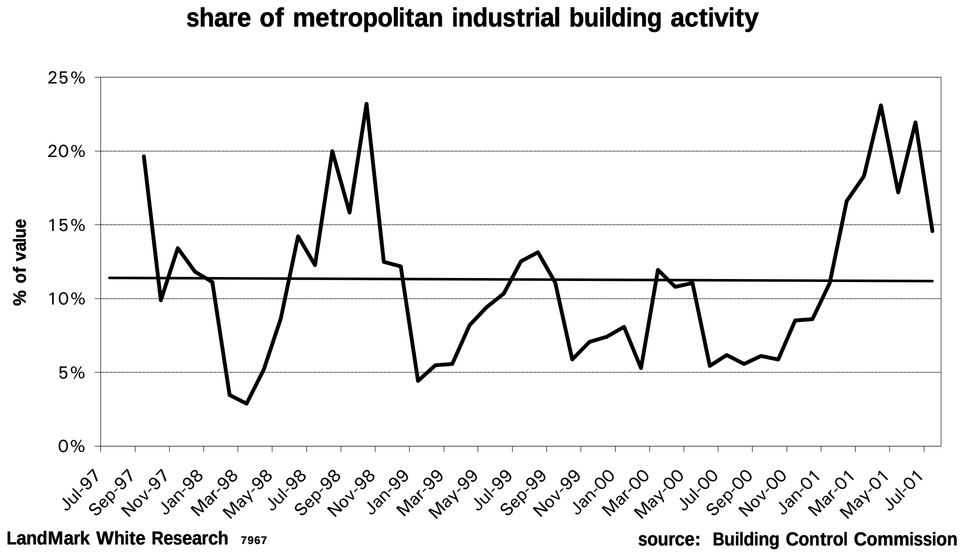


- In order to gauge the study area's share of metropolitan building activity we have relied upon figures compiled by the Building Control Commission (BCC). The BCC monitors planning permit applications across the state at a municipal level on a monthly basis since mid-1997. Limitations of the data include its starting point and that details below the level of local government area are not made available.

- For the purpose of our analysis we have selected applications for permits to construct industrial premises within the municipalities of Knox, Maroondah and Yarra Ranges. Unavoidably this will include permit applications outside the immediate study area, in precincts such as Scoresby, Croydon and Ringwood. Figure 2 below plots the value of these permits as a proportion of the total value of metropolitan building permits.

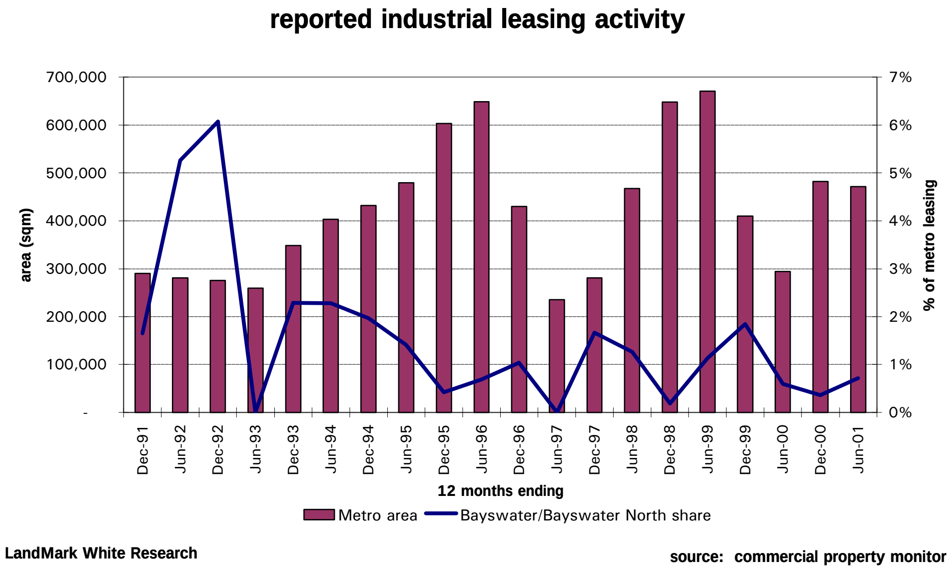
- Over the four years since July 1997 the three municipalities taking in the study area have attracted a variable share of metropolitan industrial building activity, ranging widely from 3 to 23% of the metropolitan total per quarter with an overall average of 10.5%.

Figure 2



- The study area has accounted for a comparatively minor share of metropolitan industrial leasing activity. Figure 3 below profiles reported industrial leasing activity across the metropolitan area, with the study area's share appearing as the unbroken line. Over the last ten years the study area has accounted for an average 1.3% of reported metropolitan leasing activity. Its share has varied from a high of over 6% of metropolitan activity in 1992 to a low of 0.7%.

Figure 3



profile of businesses within the study area

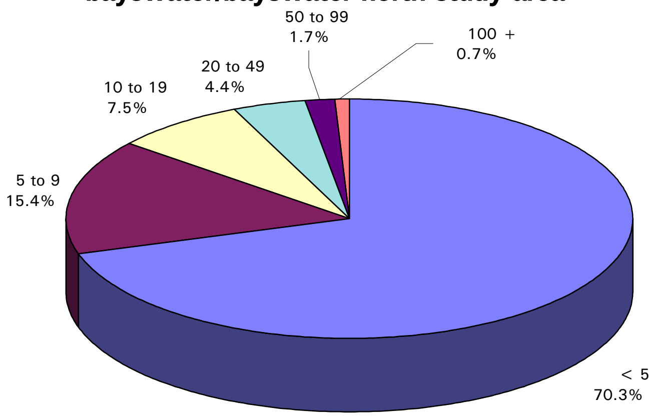
The following business profile is based on the Australian Bureau of Statistics Business Register. This register provides comprehensive details of the number of businesses by number of employees and line of business at postcode level. It is not possible to obtain data for areas smaller than postcodes. The register was last updated in September 1998.

For the purposes of our analysis we have extracted data for the localities of Croydon (3136), Kilsyth (3137), Bayswater and Bayswater North (3153) and Boronia (3155). It is not possible to restrict the extract to just the industrial precinct within these localities.

According to the register this area comprised 5,555 discrete enterprises, a substantial majority of which (70.1%) were micro-businesses comprising fewer than five employers. Further 15.4% comprise 5 to 9 employees, 7.5% 10 to 19, 4.4% 20 to 49, and 1.7% 50 to 99. Only 0.7% comprised 100 or more employees.

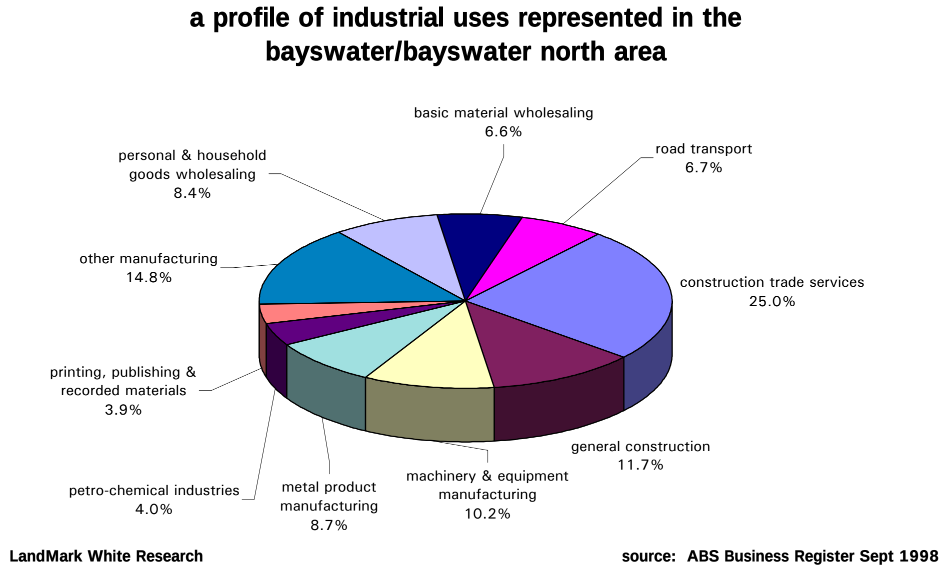
Figure 4

businesses by number of staff
bayswater/bayswater north study area



LandMark White Research 7987 source: ABS Business Register Sept 1998

Figure 5



41.6% of 'industrial' enterprises represented in the area were involved in manufacturing, with the manufacture of machinery and equipment featuring prominently. The construction industry is heavily represented in the area, accounting for 36.7% of all enterprises.

According to the register the study area has 27 industrial enterprises which employ in excess of 100 staff each. These are listed below in table 5.

Table 5: industries within the study area employing in excess of 100 staff at a given enterprise

industry	number of enterprises
Other Chemical Product Manufacturing	5
Motor Vehicle and Part Manufacturing	4
Electronic Equipment Manufacturing	3
Structural Metal Product Manufacturing	2
Electrical Equipment and Appliance Manufacturing	2
Furniture Manufacturing	2
Textile Fibre, Yarn and Woven Fabric Manufacturing	1
Rubber Product Manufacturing	1
Ceramic Product Manufacturing	1
Iron and Steel Manufacturing	1
Sheet Metal Product Manufacturing	1
Fabricated Metal Product Manufacturing	1
Industrial Machinery and Equipment Manufacturing	1
Other Manufacturing	1
Builders Supplies Wholesaling	1
	27

source: ABS Business Register September 1998

5.1 survey of local businesses

- In order to gauge insights into the operations of businesses based in the study area, LandMark White conducted a telephone survey of twenty local businesses.
- Respondents were chosen from a representative cross section of local business types and precincts within the Bayswater/Bayswater North Industrial Area.
- Respondents were evenly split between owner occupants and tenants.
- Premises ranged in age from six months to 30 years, with the average being 14 years.
- Older premises tended to be occupied by manufacturers and vehicle service and parts businesses. Newer premises tended to be occupied by wholesalers or consumer - oriented businesses.
- Respondents were skewed towards the smaller firms, employing between 3 and 45 staff.
- Several firms that had recently taken up occupancy indicated that they had relocated out of home-based premises.
- Most respondents expressed satisfaction with their premises. Only three respondents indicated that they intended to vacate in the near term, respectively citing business closure (a laminating and a steel fabrication business) or to upgrade to a more prominent location (a firm based in older style premises in Macquaire Place.
- The detailed findings form annexure 3 to this report.

development patterns within the study area

The Bayswater/Bayswater North study area incorporates a wide range of industrial and semi-industrial uses. The existing pattern of industrial development within the area is described in detail over the following pages.

For the purposes of our analysis we have identified nine distinct precincts; these are:

- The Canterbury Road corridor (precinct 1)
- Bayfield Road East and environs (2)
- North of Canterbury Road between Dorset and Colchester Roads (3)
- the Merrindale Estate(4)
- Maroondah Industrial Estate (5)
- the Mountain Highway corridor (6)
- Kalman Drive estate (7)
- Macquarie Place (8)
- South west of Dorset Road and Mountain Highway, Bayswater (9).

6.1 canterbury road corridor

location

As is evident from map 2, the ribbon of industrial area extending up to 500 metres north of Canterbury Road from Bayswater Road eastward is predominantly developed. Development along Canterbury Road is depicted in photos 1 to 6.

occupants

This corridor includes a significant number of peripheral sales-style retail premises, catering to the building trades by selling hardware/homewares/bulky goods as well as auto-accessories. These businesses blur the traditional distinction between industrial and retail uses. Huge warehouse-style premises such as Hardwarehouse (photo 1) accommodate a large format retail business predominantly catering to the domestic sector. The bulky goods sector has emerged to prominence over the last ten years. By virtue of the lower rent afforded by their industrial location and format, they are able to offer a larger range of merchandise with lower overheads, gaining a competitive advantage over competitors located within more conventional (and expensive) retail zones. Other bulky goods operators along the corridor include Bayswater Bulk, Sydney's Lounges and Bedding and Sherwan Garden and Building supplies.

Bulky goods retailers favour highway locations for their good exposure to high volumes of passing traffic. By virtue of their more financially intensive site use, bulky-goods retailers are usually able and prepared to outbid conventional industrialists for high exposure highway locations.

The planning scheme presents some limitations on the type of retail use which may be legally conducted within the Industrial 1 zone. Lighting, furniture, hardware and auto-related stores are generally permissible. However the agent endeavouring to pre-lease the proposed showroom units featured on the signboard depicted in photo 5 indicated that he had lost several potential retail tenants following advice that the use proposed – one of which involved a form food retailing would not be permitted within the zone.

A subsidiary of the major American chemical manufacturer, Dupont Australia Ltd occupies a large site with Canterbury Road frontage several hundred metres east of Bayswater Road intersection. Other space intensive uses fronting Canterbury Road include Kenworth trucks sales and service plant (west of Colchester Road) and Vitapacific foam manufacturers.

Other uses lining Canterbury Road include caravan sales, display homes, granny flat sales, self storage, car rentals (Avis), food packaging, truck parts, a timber flooring showroom, metal fabricators, medical technologies.

Colchester Road, immediately north of Canterbury Road is lined with a caravan repair, powder coating, metal building products (Strammit Industries) businesses.

market activity

The Canterbury Road corridor of development is bounded to the north by a ribbon of vacant industrial land extends eastward from Bayswater Road, along the south side of Bayfield Road West and Bungalook Creek, across Dorset Road terminating immediately east of Merrindale Drive (depicted in green on map 2). Comprising approximately 38 hectares, the ribbon forms part of the proposed Healesville Freeway reservation. Uncertainty at concerning Vicroads' future intentions with this land has discouraged development of this land. (At of our inspection it was partially used for horse agistment).

The status of plans for this freeway are discussed in section 3.3.2 on page 25 of this report.

6.2 bayfield road east and environs

location

Bayfield Road East intersects with Canterbury Road, approximately a kilometre east of its intersection with Bayswater Road. This street and side streets branching off it (Hosie Street, Turbo Drive, Diligent Drive, Elsum Avenue and Enterprise Way) are lined by cluster of high clearance warehouse style premises substantially developed in the 1970s and early 1980s.

occupants

Activities accommodated within this precinct include auto servicing and customisation, engineering services, furniture assembly, shop fitting, metal spinning, a Pioneer concrete plant.

market activity

At the time of our inspection there were several smaller industrial units (areas ranging from 306 to 399 square metres) for sale.

JRD Realty have had a 2,024 square metre vacant lot with a 35.5 metre frontage to Turbo Drive listed for sale for around two years and report comparatively limited buyer inquiry. An asking price of $210,000 reflects $103.75 per square metre site area.

6.3 north of Canterbury Road between Dorset and Colchester Roads

Burgess and Gatwick Roads, which run north off Canterbury Road between Dorset and Colchester Roads include a pocket of industrial premises predominantly constructed in the late 1970s and early 1980s. With the exception of a vacant lot at the corner of Bessimer and Gatwick Streets, this area is fully developed.

photo 1

Hardwarehouse, Canterbury Road, Bayswater North (Melway Map 50 J12).

photo 2

Bulky goods retail on
128 Canterbury Road, Kilsyth.

photo 3

Stratco, 73 Canterbury Road, Kilsyth
Peripheral sales

photo 4

Small industrial units at 81-83 Canterbury Rd, Kilsyth

photo 5

One of 4 showrooms leased thus far Demand has been constrained by council restrictions on permissible uses under the planning scheme. Retail uses are generally not allowed.

photo 6

Industry Circuit 136-148 Canterbury Road

6.4 Merrindale Estate

location

The Merrindale Estate (photos 7-9) is a well presented industrial estate, situated on the east side of Dorset Road in Croydon South, approximately one kilometre north of Canterbury Road and immediately north of the proposed Healesville Freeway. The estate includes Merrindale and Research Drives and Centre Way.

development

As is evident from photos 7 to 9, premises within the estate are a mix of one and two storeys of recent and quality construction, with a comparatively high office content. The estate is generally considered the best industrial precinct in the Bayswater/Bayswater North Industrial area.

occupants

Occupants include Australian Automotive Air, occupying a large site on the south east corner of Merrindale Drive and Dorset Road, Meyer, a kitchenware wholesaler and manufacturer in a newly constructed factory warehouse at 1 Merrindale Drive, a shop fitting business, roof truss/wall frame fabricators, industrial modular systems, sheet metal fabricators, an engineering business.

purchaser profile

Purchasers within the estate are predominantly local private companies based in Bayswater, Bayswater North, Boronia and Croydon South. Local real estate agents note a lack of landbanking activity by purchasers with most commencing development within 12- 18 months of site acquisition.

Premises within the estate are substantially owner occupied.

Approximately 14 lots with an aggregate area of around 10.4 hectares remain undeveloped.

market activity

According to the Valuer General's Prism property sales database, the first land sale within the estate was transacted in July 1992. Over the nine years to the end of June 2001 there have been 42 sales of industrial development sites within the estate, the most recent being August 2000. Most of the sales occurred between 1993 and 1996. Sites range in size from 1,781 square metres up to 3.34 hectares.

Land values in the estate have risen strongly over the nine years since initial release, rising from an average $40 per square metre to in excess of $100 per square metre last year. Only two vacant lots remain on the market, comprising 3 hectares and 1.25 hectares. Asking prices for the blocks respectively equate to $100 and $120 per square metre.
A leasing pre-commitment is being sought for an office warehouse building proposed to be developed on lot 25. Current plans envisage a single level office of 243 m^2 and lofty warehouse of 613 square metres to be complete in mid-2002 with an asking rent in the range $70-$80 per square metre.

A new 1,097 square metre building, incorporating 413 square metres of office space, situated on the corner of Research Drive is currently for lease at an asking rent equivalent to $95 per square metre per annum net.

Merrindale Estate

photo 7

Merrindale Drive, Merrindale estate,

photo 8

photo 9

Research Drive, Croydon South

6.5 Maroondah Industrial Estate

location

The Maroondah Estate (depicted over page in photos 10 – 13) is a newly developed 34 lot industrial subdivision situated on the south side of Canterbury Road between Colchester and Liverpool Roads, Kilsyth South.

composition

Lots range in areas from 1,000 square metres to 1.03 hectares with a median area of 3,145 square metres. First lots in the estate were released in mid-1999 and according to the selling agents all 34 lots have since sold, with the last sale occurring earlier this year. Most recent sales have reflected around $100 per square metre.

With the exception of several lots acquired by developer, Pellicano, most lots have been sold to owner occupiers.

occupants

Occupants include packaging suppliers, a book publishing and printing business and auto mechanic.

Pellicano, is currently seeking pre-commitments for industrial units the estate at rents from $59 to $65 per square metre. Five small high clearance industrial units are currently under construction, with two already sold off the plan since initial market release at the start of 2001. Three remain available for sale. Constructed of tilt-up panels, the units range in size from 209 m^2 to 512 m^2 with prices ranging from $807 - $833 per square metre.

market activity

Immediately west of Maroondah Industrial Estate Thompson May have two vacant industrial lots for sale, each approximately 2,500 square metres, priced at $280,000 each (around $112 per square metre). The lots have been the market for between two and three years, attracting moderate inquiry.

Maroondah Industrial Estate, Southfork Drive, Kilsyth South

photo 10

Maroondah Industrial estate, Southfork Drive, Kilsyth South (Melway Map 51 F/G10)

Sign board for Maroondah Industrial Estates: lots all sold.

photo 11

Recently developed industrial premises within Eastspur Court, Maroondah Industrial Estate

photo 12

Maroondah Industrial Estate

photo 13

Maroondah Industrial Estate
Southfolk Drive

photo 14

highway retail along Canterbury Road, Kilsyth South

photo 15

Newly constructed showroom warehouse premises, Canterbury Road, Kilsyth South

photo 16

Canterbury Road

6.6 Mountain Highway corridor

location

Large scale industrial development, providing accommodation to several leading national and international brands, extends westward along the north side of Mountain Highway from the intersection with Colchester Road.

occupants

Multi-national pharmaceutical company GlaxoSmithKline occupies a large site on the north west corner of this intersection (1061 Mountain Highway). Premises appear to date to the early 1970s. In excess of 1,000 staff are employed on site in the manufacture of pharmaceuticals. According to the Cordell construction information service the company has major plans to develop a new office and warehouse buildings on the site, with construction of the first stage due to commence later this month.

Three years ago German electronics manufacturer, Siemens Ltd established their Australian head office at 885 Mountain Hwy, (west of Dorset Road – refer photo 18), relocating from Church Street, Richmond. The company had acquired the site in the late 1960s, primarily for warehouse and storage, and decided to consolidate their administrative operations there to improve organisational synergies.

Immediately west of Siemens, near the intersction with Scoresby Road, publicly listed corporate, Southcorp Ltd maintains a large manufacturing plant which accommodates part of its Australian water heating manufacturing operations. Southcorp is a leading manufacturer and distributor of water heaters in Australia and the United States, New Zealand and China. Water heater products are produced on site under the brands Rheem, Vulcan and Solahart. Some uncertainty hangs over the future of this plant following Southcorp's April 2001 announcement of appoint advisers to assess the possible divestment of its water heater business.

Boeing Hawker de Havilland aeronautical and Pacific Dunlop engineered products are located on the south side directly opposite the Southcorp plant. The Boeing Hawker de Havilland plant at 836 Mountain Highway manufactures aircraft parts, employing approximately 70 staff on site. It has been based at this location for over 40 years.

Pacific Dunlop Engineered Products ceased operations in September this year and is presently winding up operations on this site. Approximately 180 staff formerly employed on site have been made redundant. The site, which has an approximate area of 8.24 hectares, is likely to be placed on the market in the near term. Site improvements, include an older style factory warehouse premises.

market activity

Jones Lang LaSalle have a large development site for sale at 981 Mountain Highway between Colchester and Dorset Roads. According to the selling agent the 3.52 hectare site has been on the market for approximately two years.

photo 17

981 Mountain Hwy

photo 18

New Siemens Office
885 Mountain Hwy, Bayswater

6.7 Kalman Drive estate

photo 19

Kalman Drive, off Mountain Highway, Boronia, (Melway Map 65 G2)

location

Kalman Drive runs off Mountain Highway immediately east of the Glaxo Wellcome premises. The Kalman Drive subdivision includes Isa Way and the as yet undeveloped Traders Court.

land availability

Lots range in size from 1,090 square metres to 1.7 hectares with a median area of 2,100 square metres. Four vacant lots have been sold over the last eight months, with only four vacant lots remaining on the market. The purchaser profile is overwhelmingly locally based private individuals and companies, apparently for owner occupation.

The remaining lots include a 1.08 hectare site fronting Mountain Highway (asking $75 - $83 per square metre), two internal lots of around 2,500 square metres and one 4,000 square metre lot (asking around $86 per square metre).

6.8 Macquarie Place

location

Running north off Mountain Highway approximately two hundred metres east of its intersection with Dorset Road is Macquarie Place. Substantially developed in the 1970s, this industrial cul-de-sac comprises a number of older style smaller industrial units, many with frontages of roller-shutter doors (refer photos 21 and 22).

occupants

Occupants include small manufacturers, wholesalers, automotive parts manufacturers, panel beaters, printers, steel fabrication and electrical repairers.

From our inquiries we ascertained that most businesses based in Macquarie Place operate on short term leases (many month by month, and most no more than 12 months).

market activity

As is evident from photo 20, there were a number of premises which were either available for lease or had been available for lease shortly before the time of inspection. Asking rents are in the vicinity of $58.40 per square metre for a 150 m^2 older style premises.

A respondent to our survey based in Macquarie Place advised that many businesses in the street use their premises for storage on account of low rents and that a number of businesses are considering relocating. Our respondent, who operated a steel fabrication business, was contemplating relocating out of the court within the next few months in favour of a more prominent location.

Macquarie Place

photo 20

Macquarie Place, off Mountain Hwy, Boronia (Melway Map 65 A/B2)

Basic 1970s era accommodation.

A 150 m^2 unit recently let to a cabinet maker for 12 months for \$730 pcm (\$58.40/m^2 p.a.).

A 139 m^2 unit was recently purchased by an automotive service business for \$86,000, reflecting \$617/m^2. The business was relocating from elsewhere in the general vicinity.

photo 21

Macquarie Place, off Mountain Hwy, Boronia (Melway Map 65 A/B2)

photo 22

Macquarie Place, off Mountain Hwy, Boronia (Melway Map 65 A/B2)

6.9 south west of Dorset Road and Mountain Highway, Bayswater

location

- A strip of comparatively recent industrial development extends along the west side of Dorset Road south of Dandenong Creek. The facing (east) side of Dorset Road is an established residential area.

- Industrial development extends eastward into the side streets off Dorset Road, including Ramage Street, Newcastle and Amsted Roads, London Drive, Wigan and Melrich Roads, and Barry Street.

- Dorset Road industrial premises are predominantly two level, high clearance office warehouses of brick or tilt-up concrete panel construction, typically dating from the late 1980s and early 1990s (refer photos 23-25).

occupants

- Occupants include retailers of gas and wood heaters, arc fencing and a tile factory outlet, and businesses specialsing in servicing automatic transmissions, plaster mouldings, powder coating and marine services.

- There are no vacant industrial sites facing this section of Dorset Road.

- With the exception of the north side of Barry Street, where several vacant lots remain, and a single lot in Newcastle Road, the area is fully developed. Two of the vacant lots in Barry Street have areas of 1.02 and 1.96 hectares respectively.

- Occupants include cabinet makers, a book publisher, a shop fitting business, industrial supplies, powder coating

- At the time of inspection there were two units available for lease, respectively 216 m^2 and 1,308 m^2. The premises had been vacated by a motor mechanic and injection moulding businesses. Asking rentals are in the vicinity of $50 per square metre net but the leasing agent (JRD Realty) noted nil inquiry on account of occupier preference to owner occupy in the current low interest rate environment.

West side, Dorset Road, Bayswater

photo 23

Dorset Road

photo 24

Dorset Road

photo 25

Dorset Road, Bayswater

off Dorset Road, Bayswater, south west of Mountain Hwy

photo 26

Newcastle Road, Bayswater

photo 27

Barry Street, Bayswater

In summary then, the Canterbury Road corridor has attracted a cluster of quasi-retail uses peripheral sales and bulky goods outlets largely oriented to the housing, construction and auto industries.

New industrial development is largely concentrated within the Merrindale and Maroondah estates. Constructiion within these estates is generally of a high standard. Kalman Drive estate to the south is in its early stages with limited development to date.

An earlier generation of industrial development is concentrated in Bayfield Road, Macquarie Place and south west of Dorset Road and Mountain Highway. These estates include a range of businesses including furniture assembly, auto service and steel fabrication.

A string of large national and multinational firms are strung along the Mountain Highway incluging GlaxoKlineSmith, Southcorp, Siemens and Boeing. All have been long established in the area.

industrial land within the study area.

- In mid-2000 the Department of Infrastructure surveyed the stock of industrial land within the study area and estimated the proportion that was physically occupied by means of aerial photography. According to this survey the study area comprised an area of 734.7 hectares, of which 585.8 hectares (79.7%) were physically occupied, leaving 148.9 hectares vacant.

- However, approximately 47 hectares of the land designated vacant is subject to the Healesville Freeway reservation and as such is not available for meaningful development. Excluding this land reduces the remaining stock of vacant industrial land to 101.9 hectares. This equates to 13.9% of total industrial land supply within the study area.

Table 6: Industrial land supply within Study Area, mid-2000

	area (ha)
occupied lots	585.8
vacant lots	148.9
total Bayswater/Bayswater N study area	734.7
Healesville freeway reserve	47
Study area not including Fwy Reserve	687.7
vacant area not including. Fwy Reserve	101.9
vacant lots as a proportion of total	20.3%

Source: Peter Elliott, Dept of Infrastructure

- Clusters of vacant sites are found in the Merrindale estate and Kalman Drive estates (refer section 6 for details).

trends over the past ten years

8.1 supply and take up of industrial land within the study area

- In order to gauge the rate of take-up of industrial land within the study area, we compared the stock of available industrial land identified by the Department of Infrastructure's survey of mid-2000 with an earlier survey of the same area undertaken by Business East in January 1997 as part of its Industrial Land Register. (Refer table 4 below).

- The surveys used a common methodology of superimposing aerial photography over the mapping cadastre to indicate industrial development. Industrial lots without buildings were thus identified as 'vacant'.

- The only addition to the stock of industrial zoned land within the study area during this period was created by the rezoning of vacant residential land on the southwest corner of Canterbury and Dorset Roads, Bayswater North in the fourth quarter of 2000. Initiated by the owner, the De Felice family, and supported by the City of Maroondah, this rezoning created 38.26 hectares of industrial land on the southwest corner of Canterbury and Dorset Roads. (The land was formerly zoned residential). According to the strategic planning officer at the City of Maroondah the owner intends to undertake an industrial subdivision on the site for probable release some time in 2002.

- Table 7 below itemises the change in the stock of vacant industrial land between the two surveys, less the quantity of land rezoned to industrial during the intervening period to identify the take-up rate. Accordingly, some 27 hectares of industrial land was developed in the interim, reflecting an average 7.9 hectares per annum. At this rate, the 101.7 hectares remaining unencumbered by freeway reservation represents 12.9 years' supply.

- A further ten months have elapsed since the last stock take. Based on the interim rate of land take-up, remaining years' supply is estimated to have fallen to around two years eight months.

Table 7: supply and take-up of industrial land between January 1997 and mid-2000

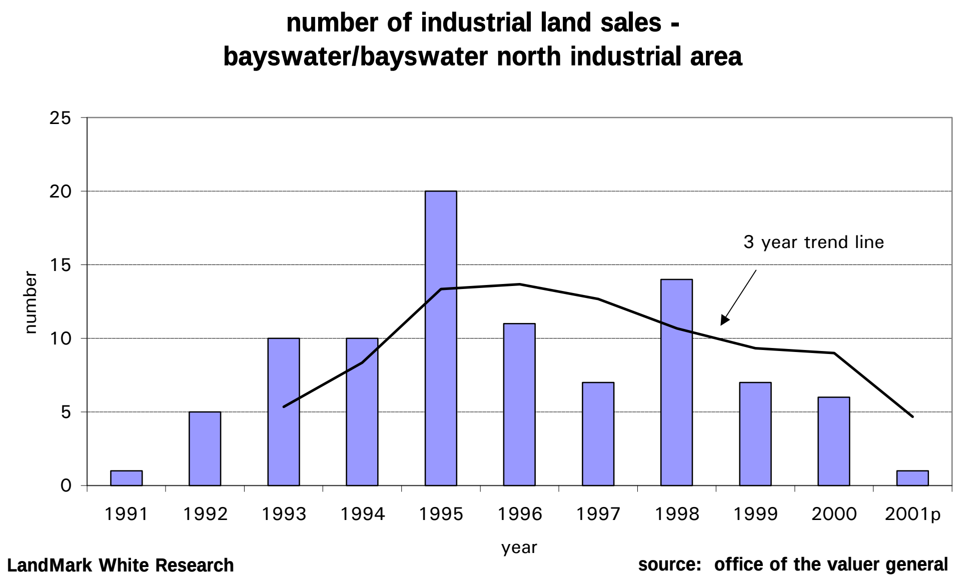
January 1997 vacant land	137.4 ha
June 2000 vacant land (not including De Felice land)	110.4 ha
interim take-up (137.4 – 110.4)	27.0 ha
time interval	3.4 years
vacant industrial land consumption rate (27 ÷3.4)	7.9 ha p.a.

8.2 sales of vacant industrial land.

- The Victorian Office of the Valuer General records every real estate sale in the state on a central database. According to this database, dubbed "Prism", there have been 92 sales of vacant industrial lots within the study area since 1991, reflecting an average 9 lots per annum[2]. The annual volume of sales in the study area is graphed below in figure 6.

- Due to a lag in the collation of sales records, which are recorded upon settlement, typically two to three months after the exchange of contract, the 2001 figure represents a preliminary result.

Figure 6

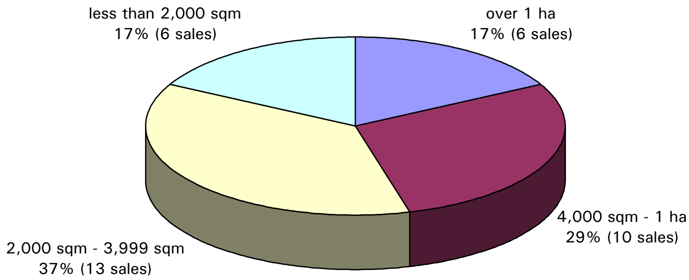


- Over the last four years industrial lots sold within the study area have ranged in area from 1,037 square metres up to 1.52 hectares, with a median of 3,200 square metres and average of 7,600 square metres. A break down of land sales by size is set out in figure 7 below.

[2] 2001 sales have been excluded because the full year's data is not available.

Figure 7

industrial land sales by size, bayswater/bayswater north area
July 1997 - Sept 2001



LandMark White Research

source: Office of the Valuer General (prism database)

According to local real estate agents consulted in the course of our research, and confirmed by own review industrial land stocks, selling activity has been constrained by a lack of available industrial land.

Industrial land prices have risen to reflect this scarcity and currently average around $100 - $110 per square metre in the Merrindale estate.

8.3 development activity

Building permits provide a good leading indicator of construction activity and reliable monthly statistics have been available aggregated to local government level from Victoria's Building Control Commission since mid-1997.

Figures 8 and 9 below plot the number and value of industrial building permits issued within the municipalities of Knox, Maroondah and Yarra Ranges since mid-1997. It should be noted that the graphs will include projects in other parts of these municipalities outside the immediate study area; these statistics are not available at a more detailed level of geography.

As is evident from figure 4 below, the volume of building activity is highly seasonal, but tends to peak around the middle of the year.

Figure 8

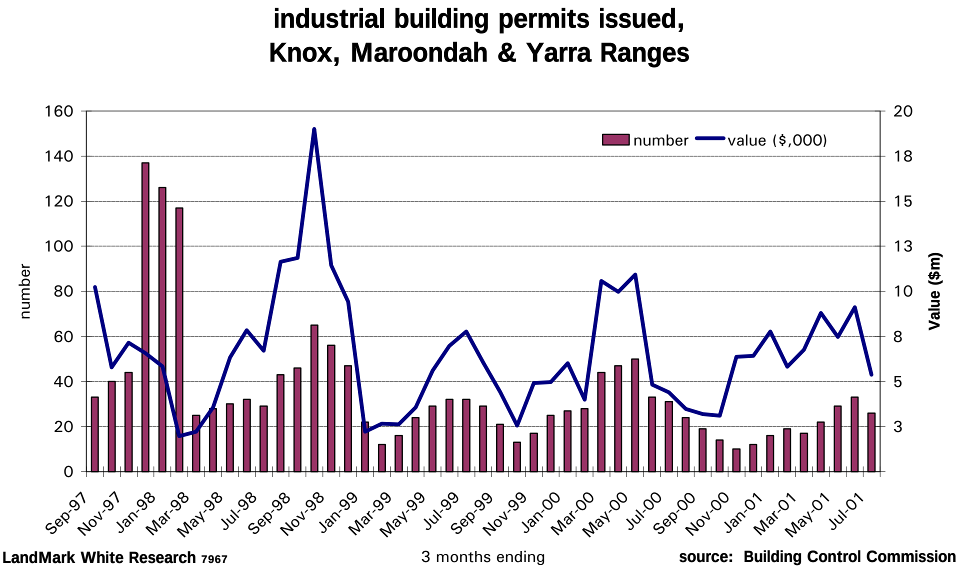


Figure 10 indicates that the total volume of industrial construction (in terms of number of projects) within the three municipalities has trended down over the last four financial years.

Figure 9

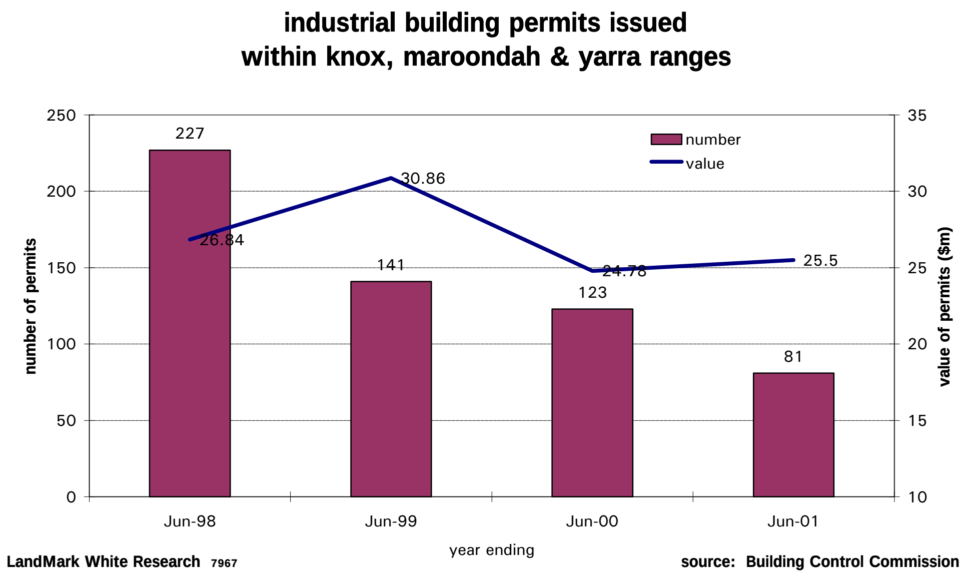
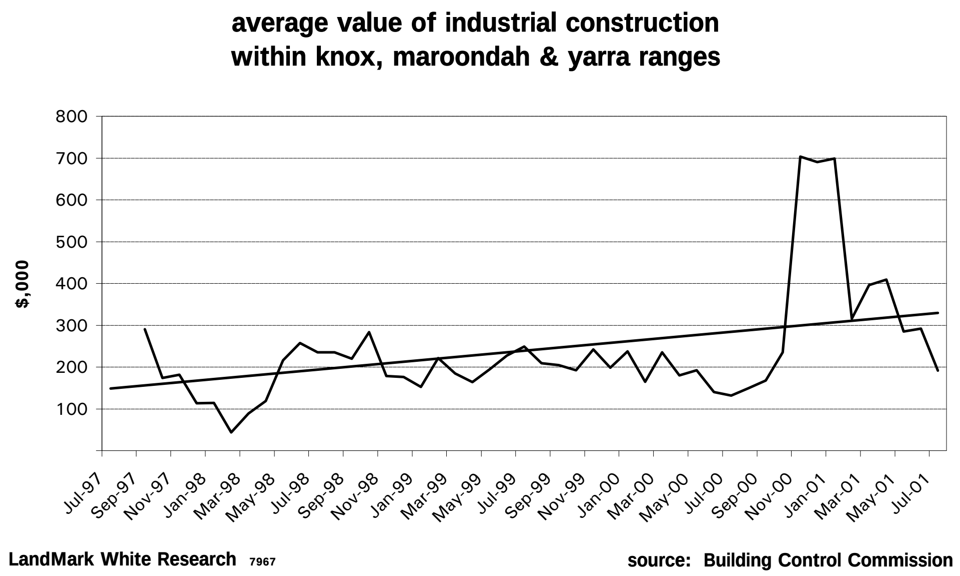


Figure 10



Whilst the number of industrial building permits issued within the three municipalities has decreased over recent years, the average value of each job has trended upwards markedly, rising from $160,000 in mid 1997 to $325,000 in mid 2001, equivalent to an annual 19.8% compound growth.

Agents note that new development is currently inhibited by comparatively low rents. Rents for recently constructed industrial premises range between $55 and $60 per square metre per annum (net). High office content premises attract proportionately higher rents. Outgoings are typically around 10% of net rent, or $4.50 - $6 per square metre.

8.3.1 recent industrial construction projects within the study area

Table 8 below itemises $39 million of projects recently proposed or committed within the study area.

Table 8

proponent	address	Project description & estimated cost	status	start date
Southern Dental Industries	5-9 Brunsdon St, Bayswater	Addition of Office and Research & Development Centre to existing 3 level building at an estimated $1m cost	Contract Let	Aug 2001
	Lot 6 Kalman Dve, Boronia	Factory ($1.4 m)	Construction	Aug 2001
TNA Packaging Systems	59-71 Merrindale Dve Croydon South	Factory - Extns ($1.3 m)	Contract Let	Sep 2001
Glaxosmithkline	1061 Mountain Hway Boronia	New office ($10 m)	Sketch Plans	Jan 2002
Glaxosmithkline	1061 Mountain Hwy Boronia	Warehouse & 2 storey office Office	Tenders called/Regns advertised	Oct 2001
Simba Textile Mills Pty Ltd	9 Kearney St Bayswater	1500 sqm addition to Warehouse ($1m)	Development Approval	Dec 2001
Industry Circuit Warehouse Development	4 Industry Crct Kilsyth South	Warehouse Development ($1.5 m)	Construction	May 2001
Arrow Pharmaceuticals	Merrindale Dr Croydon South	Laboratories/Offices ($5m)	Contract Let	Apr 2001

source: Cordell Acumen

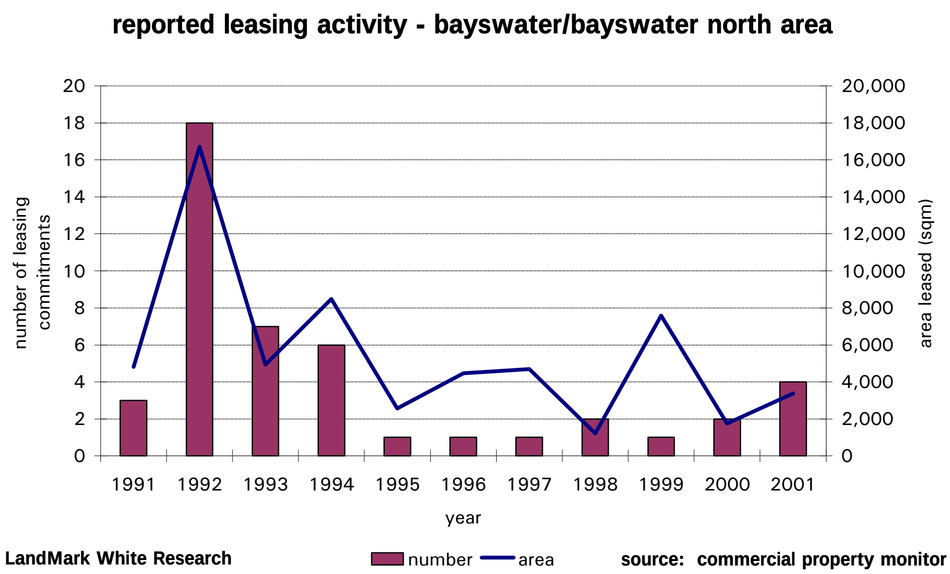
8.4 leasing activity

Unlike New South Wales and Queensland, where the respective state government require leases to be registered, there is no central register of leases in Victoria. Consequently details of leasing activity in the public domain tend to be restricted to deals reported in the press and information gleaned from leasing agents, and as such are at best a partial indicator of activity. Ten years of reported leasing activity is graphed below in figure 4.

Commercial Property Monitor reports 46 industrial leasing deals within the study area involving 60,600 square metres over the last ten years. Reported activity has ranged from a high of 18 commitments and 16,715 square metres in 1992 to a low of two commitments totalling 1,749 square metres in 2000. By this measure, leasing take-up has averaged 6,000 square metres per annum.

So far this year there have been four deals involving a total of 3,383 square metres reported. Activity has focused on secondhand factory and warehouse space in Bayswater, with deals in Dorset Road, Mclellan Street and London Drive.

Figure 11



According to real estate agents active in the area, occupier demand is predominantly from businesses already established in the general vicinity. Commitments to new premises are typically motivated by the need to upgrade or expand.

With interest rates at historically low levels, agents note a substantial reduction in leasing inquiry, with occupants preferrng owner occupation.

LandMark White surveyed a random sample of twenty industrial occupants based in the study area and found an even split between owner occupants and tenants.

Modest leasing demand in the area in recent years has seen industrial rents remain comparatively static. Average rents per square metre for A grade industrial space are set out below in table 5.

A lack of speculative construction in recent years has minimised the quantity of vacant new industrial space within the study area.

Recent lease listings have almost exclusively comprised second-hand office warehouse and factory premises largely concentrated in and around the Barry Street/Jersey Road industrial precinct south east of Mountain Highway and Dorset Road.

Table 9 below sets out indicative prime industrial rents within the Bayswater/Bayswater North industrial area over time, based on a typical new premises of around 1,000 square metres with up to 25% office component. Average rents per square metre will be higher where there is a higher office component.

Table 9: indicative prime industrial rents, Bayswater/Bayswater North

	1992	1993	1994	1995	1996	1998	1999	2000	2001
rent per sqm	$39	$40	$46	$58	$59	$59	$59	$60	$60

projections

projection over the next ten years

- Based on recent rates of land consumption, the Bayswater/Bayswater North industrial area has, at October 2001, slightly under eleven and a half years' supply of vacant industrial land unencumbered by freeway reservation. This would indicate the exhaustion of the area's land bank by the first quarter of 2013. Assuming the freeway reservation is removed, the land supply increases to seventeen and a half years (first quarter 2019)

- We anticipate development will continue to focus on the Merrindale estate, which we expect to be fully developed by mid to late 2003.

- Near term supply which has been factored into our projections but not as yet released to the market includes the 40 hectare parcel on the south west corner of Canterbury and Dorset Roads, recently rezoned from residential to industrial. We anticipate that subdivision of this land will commence sometime in 2002.

- Other potential near term supply includes the former Pacific Dunlop plant in Mountain Highway. Following the September 2001 plant closure we anticipate the 8.24 hectare site to be release onto property market within the next few months.

- We anticipate that the development of the Scoresby Freeway, scheduled to commence in 2002, could accelerate demand for land in the area over the next two years, based on the experience of similar infrastructure developments elsewhere in the metropolitan area. The Western Ring Road, completed in the last 1990s, provided a major boost for industrial land in Melbourne's West, especially in the Laverton North and Derrimut area. Improved accessibility encouraged firms to relocate to these fringe locations from significantly more valuable inner city locations, such as Port Melbourne.

- Whilst the Scoresby freeway project is not due for completion until 2008, property markets tend to move in anticipation of major road works. Assuming this to be the case, the study area's supply of undeveloped industrial land could conceivably be exhausted by the end of 2003.

- However, we note that the Scoresby industrial area will enjoy more immediate access to the new freeway, and has significant reserves of industrial land.

- Lack of vacant industrial land would severely constrain the study area's ability to attract new industrial businesses.

- The 47 hectares ribbon of land reserved for the Healesville Freeway represents a major potential future development opportunity. The future of this reservation is to be determined following the current metropolitan strategy plan review.

conclusions and recommendations

- The Bayswater/Bayswater North industrial area comprises approximately 138 hectares of vacant industrial land in October 2001, representing 1.7% of the metropolitan and 18% of the eastern suburban total. Of this, 47 hectares is encumbered with freeway reservation.

- At recent rates of take up of vacant industrial lots the remaining stock of vacant industrial land within the study area will be exhausted within eleven and a half years, or seventeen and a half years if the land affected by the freeway reservation is included.

- Potential near term supply includes recently rezoned land on the south west corner of Dorset and Canterbury Roads and the former Pacific Dunlop plant on Mountain Highway. This plant was closed in September and is likely to be placed on the market within the next few months.

- Further supply could be released through the consolidation and redevelopment of older industrial areas within Macquarie Place and. However fragmentation of ownership and lease legacies would render this a lengthy, complicated and expensive process. Industrial land values would need to rise significantly above current levels to justify the exercise. Given a ready supply of conveniently located and readily serviceable vacant industrial land in other sections of the metropolitan area this is unlikely to occur within the intermediate term (i.e. next five years).

- These older style industrial premises are substantially occupied by a number of smaller industrial businesses providing local employment. Their displacement through development would likely cause a short-term detriment and employment loss to the local economy.

- The Healesville Freeway reservation represents a major potential supply of well-located land for development within the area. We recommend that the local municipal councils lobby the Department of Infrastructure for a clarification of its future intentions for this land which appears to be surplus to transport requirements.

- Over the last ten years the area has accounted for a comparatively small proportion of metropolitan industrial activity, representing 2.6% of metropolitan land sales and an average 1.3% of reported industrial leasing activity.

- Demand for industrial premises within the study area substantially originates from businesses already present in the area and is largely driven by the need to expand or upgrade. Demand from businesses relocating from other parts of the metropolitan area is very limited and is presently inhibited by a perception of poor transport access and limited exposure.

- We expect the construction of the Scoresby Freeway, (scheduled to commence in 2002) will substantially improve perceptions of accessibility to the area from other parts of the metropolitan area and beyond. The new freeway, which the federal and state governments have committed to complete by 2008, will provide continuous freeway linkages to the city fringe and Dandenong and Frankston in the outer south and south east.

- Improved accessibility perceptions would likely increase occupier demand in the study area and diminish the rental differential which presently exists between the area and industrial estates within the Scoresby area. This would in turn improve the viability of further local development activity. Ironically, this would happen at a time of a dwindling stock of vacant industrial land in the area.

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