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SOUTH MELBOURNE

ECONOMIC, EMPLOYMENT AND LAND USE STUDY (BACKGROUND)

CITY OF PORT PHILLIP | JUNE 2022

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1. INTRODUCTION

1.1. ENGAGEMENT

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

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

This report provides background analysis.

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

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

Appropriate land use planning can also be used to:

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

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

1.3. SCOPE

The scope of this background assessment includes:

- Strategic and location context – a summary of strategic planning and economic policy and strategies which provide guidance on economic priorities and spatial planning directions.
- Existing situation - a baseline analysis of the existing property, land use, demographic, business and employment uses in the study area.
- Economy and employment – an assessment of the South Melbourne economy and employment composition, including areas of specialisation, growth sectors and drivers of change.
- Development activity – analysis of recent development activity in the study area, including residential and non-residential development.

1.4. STUDY AREA

1.4.1. BOUNDARIES

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

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

F1. STUDY AREA

Source: City of Port Phillip.

1.4.2. ZONES

The following planning zones apply to the study area:

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

1.4.3. OVERLAYS

HERITAGE OVERLAY

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

F2. HERITAGE OVERLAYS, STUDY AREA

Source: Urban Enterprise, 2021.

DESIGN & DEVELOPMENT OVERLAY

Two Design and Development Overlays apply to the study area:

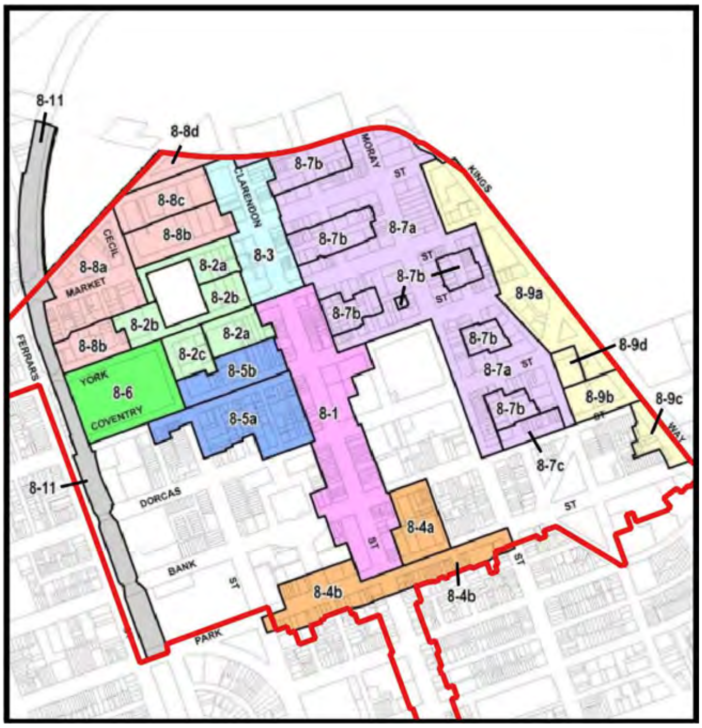
- DDO8 applies to most non-residential land in the study area (with the exception of the Industrial 1 Zone); and
- DDO16 applies to a single site at the corner of York and Cecil Streets.

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

F3. DESIGN AND DEVELOPMENT OVERLAYS

Source: Urban Enterprise, 2021.

F4. DDO8 SUB-PRECINCTS



Source: Port Phillip Planning Scheme, annotated by Urban Enterprise, 2021.

In summary, DDO8 seeks to:

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

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

T1. DDO8 LAND USE MIX AND BUILT FORM SUMMARY

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

Source: Port Phillip Planning Scheme.

2. CONTEXT

2.1. INTRODUCTION

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

2.2. KEY POINTS

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

2.3. POLICY CONTEXT

2.3.1. PLAN MELBOURNE

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

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

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

F5. 20 MINUTE NEIGHBOURHOOD CONCEPT

Source: Plan Melbourne, DEWLP, 2017.

2.3.2. MELBOURNE INDUSTRIAL AND COMMERCIAL LAND USE PLAN

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

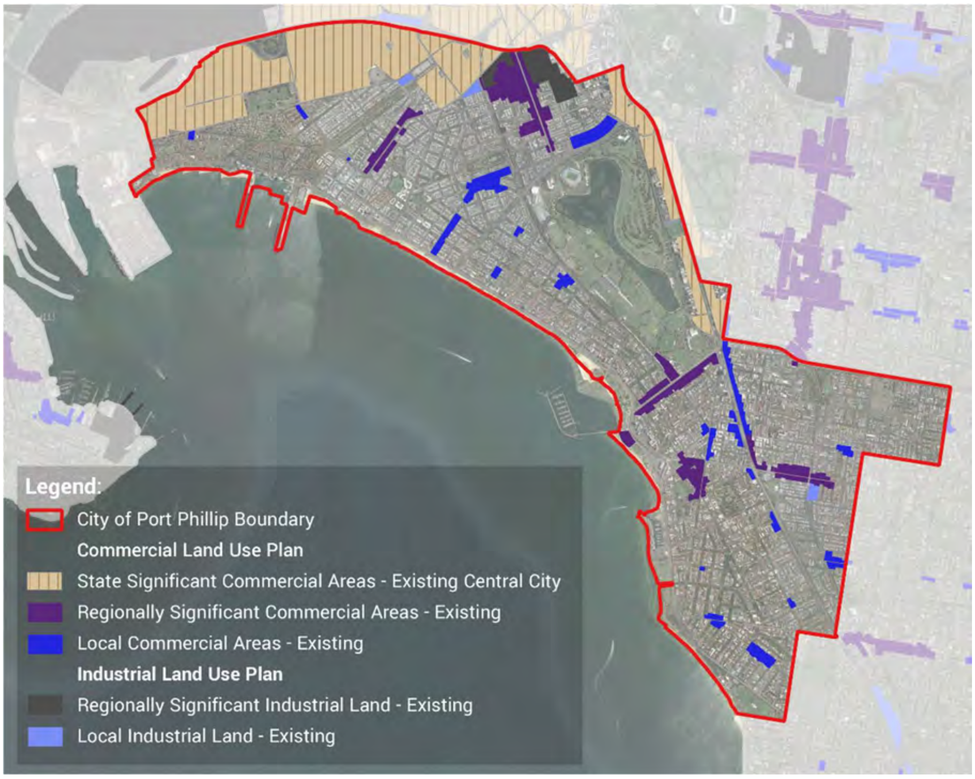
MICLUP categorises commercial and industrial areas as of State, Regional or Local significance and sets out planning policy directions for each category. The categorisation of areas in Port Phillip is shown in Figure 6. The Study Area for this project includes the following areas:

- The South Melbourne Major Activity Centre, categorised as a "Regionally Significant Commercial Area";

- Commercial 2 Zone land in South Melbourne, categorised as "Regionally Significant Industrial Land"; and
- The Industrial 1 Zone land in South Melbourne, categorised as "Local Industrial Land".

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

F6. MICLUP PLANNING FRAMEWORK



Source: MICLUP, 2020, adapted by Urban Enterprise.

T2. FRAMEWORK FOR INDUSTRIAL AND COMMERCIAL PRECINCTS

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

Source: MICLUP, Urban Enterprise.

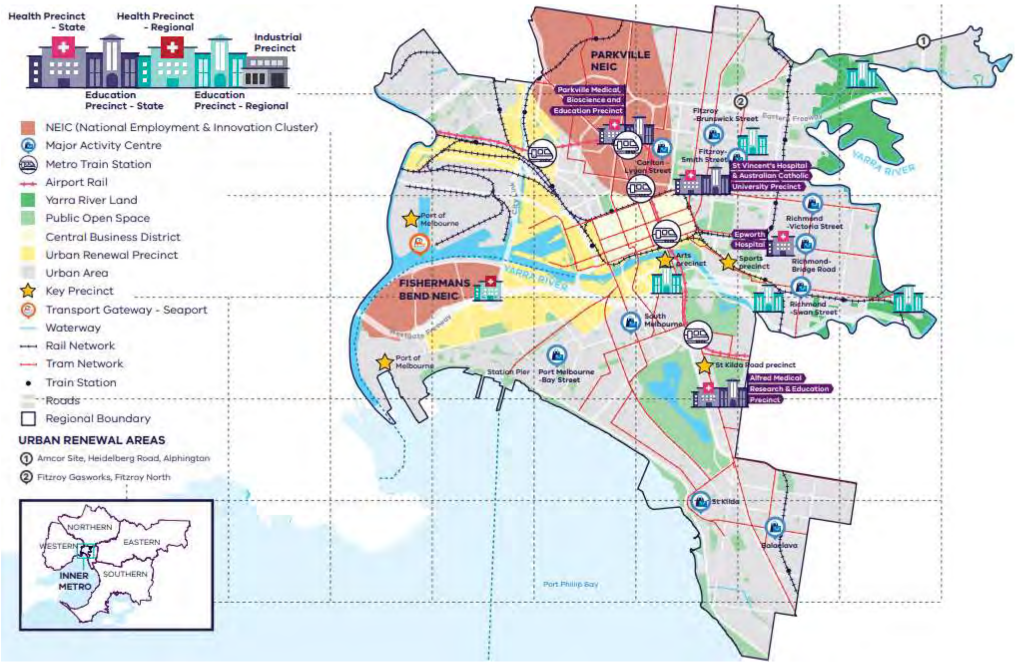
2.3.3. INNER METRO FRAMEWORK PLAN

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

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

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

F7. INNER MELBOURNE FRAMEWORK PLAN



Source: DELWP, 2021.

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

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

- Direction 1: Support the Central City to become the pre-eminent and largest commercial centre in Australia by 2050;
- Direction 2: Strengthen the Inner Metro Region as a local and international destination for sport, arts, culture and entertainment to attract investment and visitors;
- Direction 3: Facilitate the development of the Parkville and Fishermans Bend NEICs as major economic contributors for the regional and national economy supported by increased transport connectivity;
- Direction 4: Enhance the Inner Metro Region's vibrant and diverse activity centres and their contribution to the identity of the region;

- Direction 5: Retain existing and support emerging employment areas, including industrial and enterprise precincts, across the Inner Metro Region;
- Direction 6: Facilitate well-designed, high-amenity and quality medium- and higher-density environments in major urban renewal precincts to provide employment growth.

An action in the Plan relevant to this study is to:

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

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

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

Overall, the IMFP seeks to retain existing commercial and industrial zoned land, identify areas with capacity to support investment and growth, encourage the growth of enterprise precincts and accommodate a diversity of employment and services in activity centres.

Although it is unclear exactly how the "enterprise precinct" designation for South Melbourne is expected to translate into planning controls, however there is clear identification of the specialised economic role of the study area.

2.3.4. ENTERPRISE PRECINCTS

Although not referenced in Plan Melbourne, 'Enterprise Precincts' have been the focus of investigation by the State government[1] as a means of implementing the strategic direction of Plan Melbourne, in particular to tackle the challenge of creating the jobs of the future.

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

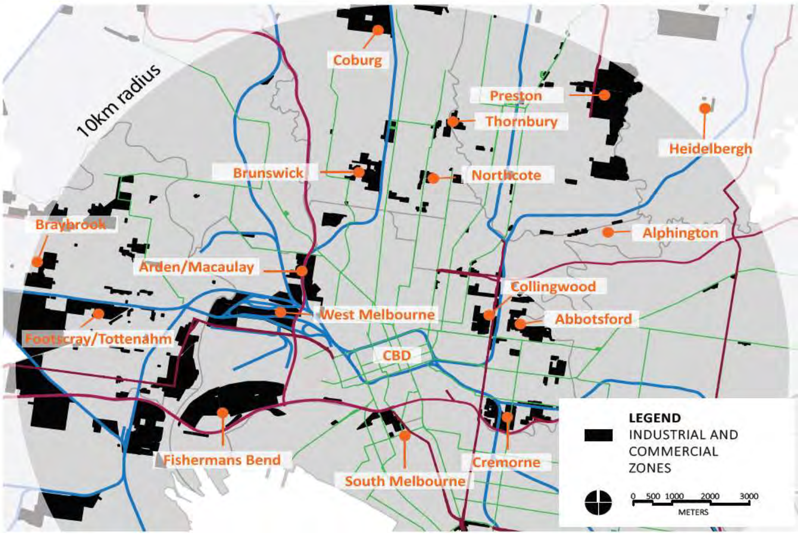
Examples of existing or emerging precincts in Melbourne identified in DELWP's Policy Paper include West Melbourne, Cremorne, Brunswick and South Melbourne. Pilot studies are currently underway for Enterprise Precincts in Brunswick and Cremorne.

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

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

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

F8. MELBOURNE'S INNER INDUSTRIAL AND COMMERCIAL PRECINCTS



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

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

[2] Brooking Institute; Cremorne place Implementation Plan, 2020.

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

FACTORS DRIVING THE SUCCESS OF ENTERPRISE PRECINCTS

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

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

South Melbourne Enterprise Precinct will be assessed against these criteria as part of the full economic analysis.

F9. FACTORS DRIVING THE SUCCESS OF ENTERPRISE PRECINCTS

Source: Unlocking Enterprise in a Changing Economy, 2018

2.4. LOCAL POLICY

The vison for the study area under the current local planning policies within the Port Phillip Planning Scheme (Clause 21.06-5) is for South Melbourne to be a mixed use precinct with a unique urban village character and street life, supporting growth in residents, workers and visitors.

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

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

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

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

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

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

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

2.5. PREVIOUS STUDIES

2.5.1. SOUTH MELBOURNE CENTRAL STRUCTURE PLAN

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

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

F10. SMC STUDY AREA & PRECINCTS

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

Source: City of Port Phillip, 2007.

The Plan provided the following 15 year vision for SMC:

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

Key recommendations of the Structure Plan were as follows:

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

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

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

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

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

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

2.5.2. IMAP COMMERCIAL ENTERPRISES AND CREATIVE INDUSTRIES IN INNER MELBOURNE

The City of Port Phillip participated in the Inner Metropolitan Partnership study into commercial enterprises and creative industries in inner Melbourne[4], which includes South Melbourne as a case study.

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

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

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

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

2.6. ECONOMIC CONTEXT, KEY TRENDS AND DRIVERS OF CHANGE

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

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

ECONOMIC RECOVERY, LONG TERM CHALLENGES

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

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

STRUCTURAL ECONOMIC SHIFTS

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

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

THE OFFICE-SECTOR & HYBRID WORKING ARRANGEMENTS

Melbourne's office market is recovering from the effects of the COVID pandemic[5]. Over the period 2013 to 2020, CBD office vacancies progressively decreased prior to the pandemic, driving the delivery of more than 700,000sqm of gross new office floorspace in the CBD alone from 2015 to 2020 (including Docklands).

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

The strong increase in rents and new office development in the inner east suburbs such as Richmond, Cremorne and Collingwood has also occurred in South Melbourne, a place with similar attributes such as former industrial

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

buildings, heritage values and a strong local hospitality offering. This is in relatively stark contrast to the traditional office location of St Kilda Road, which experienced a net reduction in office space of 48,000sqm from 2016 to 2021.

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

Overall, demand projections for the office market are strong despite the disruptions caused by the pandemic. Post-pandemic changes to working and travel patterns create the likelihood of more hours being worked from home, however modelling prepared by Infrastructure Victoria[6] estimates that inner Melbourne will actually experience an increase in overall employment, although the number of hours actually worked in the workplace is expected to decrease.

RETAIL SECTOR CHALLENGES & ACTIVITY CENTRE IMPLICATIONS

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

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

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

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

CENTRAL CITY EXPANSION, URBAN RENEWAL AND MAJOR INVESTMENT

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

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

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

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

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

area. The Melbourne Metro Business Case[7] identifies the following relevant implications for the ANZAC Station precinct:

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

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

SPATIAL IMPLICATIONS

The spatial implications of these trends are summarised as follows:

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

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

3. EXISTING SITUATION

3.1. INTRODUCTION

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

3.2. KEY POINTS

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

3.3. LOCATION

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

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

F11. LOCATION CONTEXT, SOUTH MELBOURNE

Source: Urban Enterprise, 2021.

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

FISHERMANS BEND

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

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

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

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

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

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

ST KILDA ROAD PRECINCT

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

SOUTHBANK

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

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

3.4. LAND USE ROLE AND FUNCTION

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

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

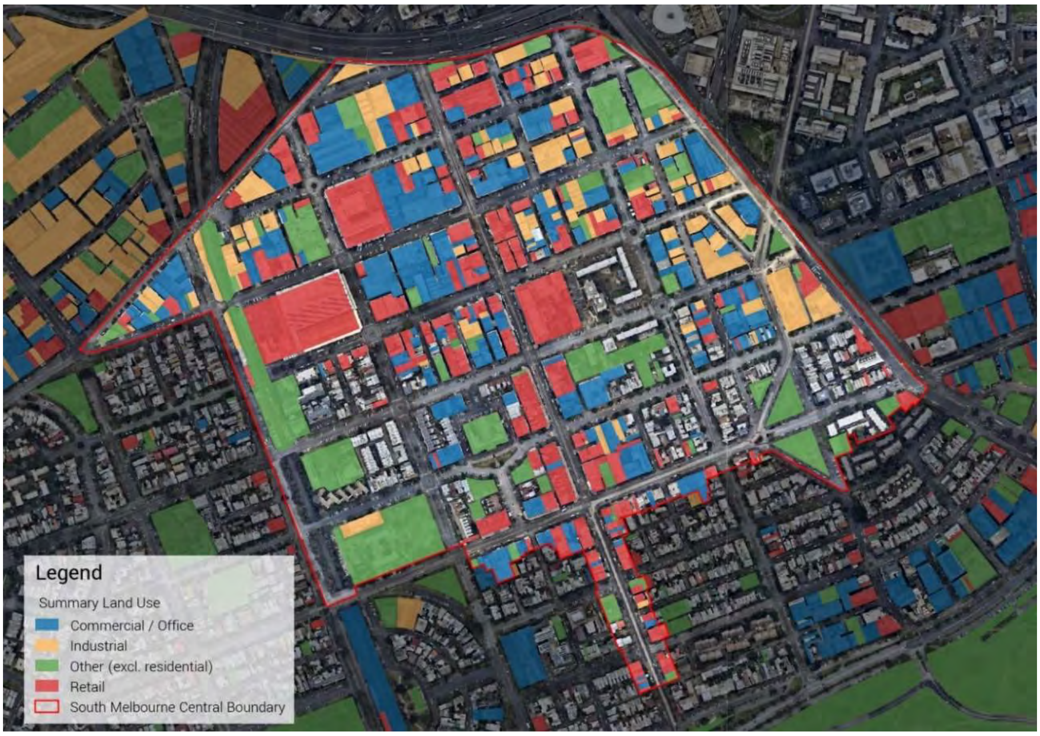
The primary economic role of the study area is as an office precinct with substantial commercial floorspace, and a high proportion of employment in office-based industries such as creative, professional and financial services. Office uses are located in both the Major Activity Centre and the Enterprise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

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

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

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

F12. SPATIAL LAND USE SUMMARY



Source: Urban Enterprise, 2021. Land use determined by property rating valuation. Some developments have been completed since land use data was provided. Other (excl. residential) includes non-private housing.

3.5. LAND USE AND FLOORSPACE

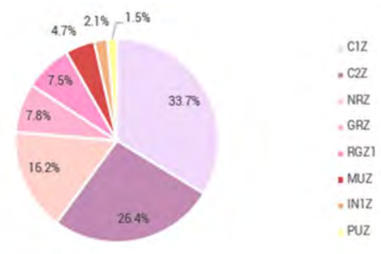
3.5.1. LAND AREA BY ZONE

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

T3. LAND AREA BY ZONE

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

F13. TOTAL LAND AREA BY ZONE



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

3.5.2. FLOORSPACE

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

Key observations include the following:

- The study area currently accommodates 331,000 sqm of employment floorspace in employment zones.
- 54% of employment floorspace in the study area is classified as commercial/office.
- Retail uses account for approximately 26% of employment floorspace and are mostly located in the C1Z.
- The C2Z accommodates 38,000 sqm of floorspace categorised as 'industrial'.
- The IN1Z land is primarily occupied by uses categorised as commercial / office.

T4. FLOORSPACE BY MAJOR LAND USE CATEGORY, STUDY AREA

	Major Activity Centre				Balance					Total	% of total
Land Use	C1Z	C2Z	MUZ	Total	C1Z	C2Z	MUZ	IN1Z	Total		
Retail	63,000	0	1,000	64,000	7,500	10,400	1,800	900	20,600	84,600	26%
Commercial	69,000	14,000	3,000	86,000	4,900	64,600	14,300	7,500	91,300	177,300	54%
Industrial	5,000	3,000	0	8,000	1,700	38,300	2,700	2,600	45,300	53,300	16%
Institutional	3,000	0	0	3,000	600	0	0	300	900	3,900	1%
Other	4,000	0	0	4,000	0	6,400	500	0	6,900	10,900	3%
Total	144,000	18,000	4,000	166,000	14,700	119,700	19,300	11,300	165,000	331,000	100%

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

3.5.3. SIZE OF COMMERCIAL TENANCIES

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

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

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

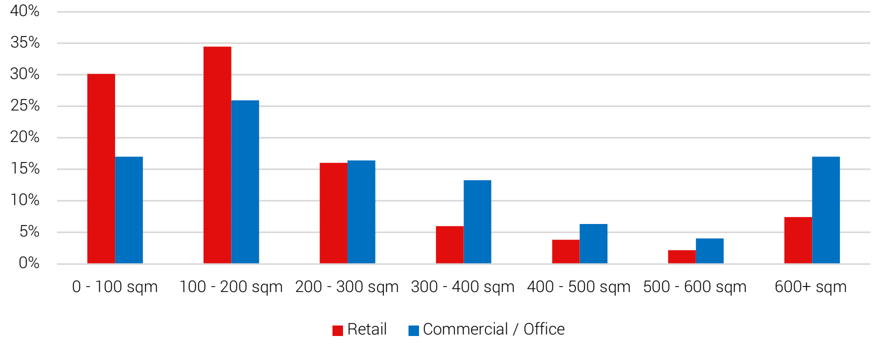
Figure 14 shows the relative sizes of tenancies. It is noted that several properties in residential zones are categorised as retail or office space, an indication that business activity is not only confined to employment zones.

T5. NUMBER OF TENANCIES BY ZONE AND FLOORSPACE SIZE CATEGORY

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

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

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



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

3.6. BUILDING HEIGHTS & LOT SIZES

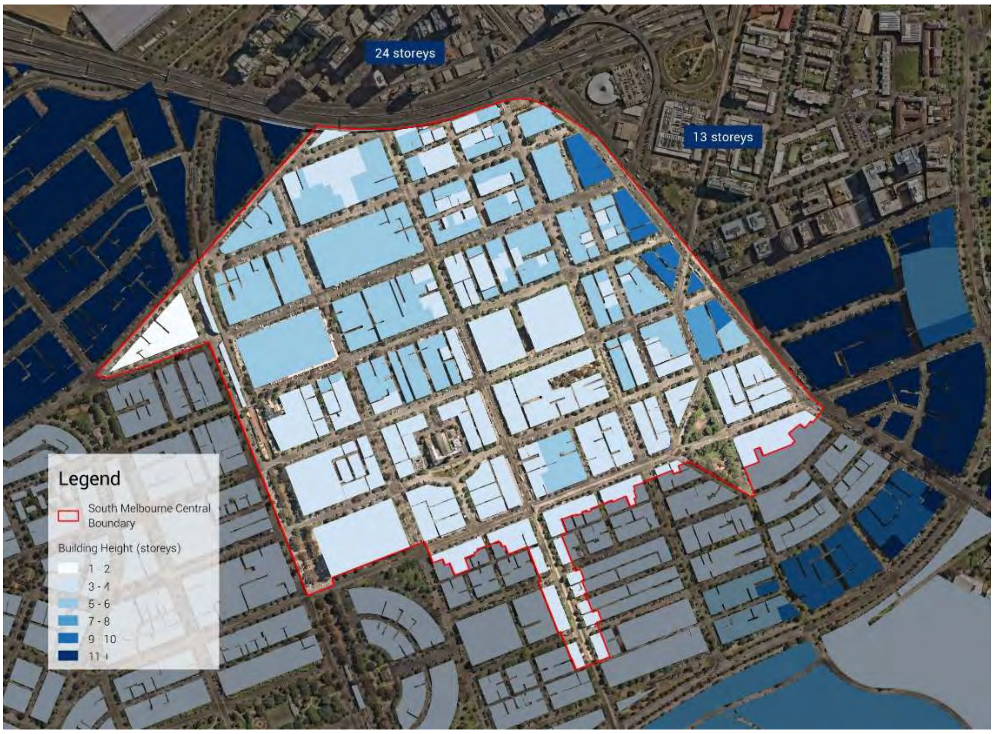
BUILDING HEIGHTS

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

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

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

F15. BUILDING HEIGHTS, STUDY AREA



Source: Urban Enterprise, 2021.

LOT SIZES

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

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

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

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

F16. LOT SIZES, SOUTH MELBOURNE

Source: Urban Enterprise, based on Council Rates Database.

3.7. RESIDENTS, JOBS AND EMPLOYMENT DENSITIES

In 2016, 3,400 residents were living in the five Destination Zones which correspond broadly with the study area (see Figure 17). As a comparison, the suburb of South Melbourne had a population of 9,268 residents in 2016, indicating that only 37% of the suburb's population at that time resided in the study area.

This residential population is considerably lower than the worker population, which in 2016 is estimated at 13,032 employees.[8]

The average employment density in 2016 equates to 155 jobs per gross hectare of land. Employment densities were highest in the north central and north-eastern parts of the study area (Destination Zones 2 and 3 in Figure 19). In particular, the section between Clarendon Street and the South Melbourne Market had a high job density of almost 350 jobs per gross hectare.

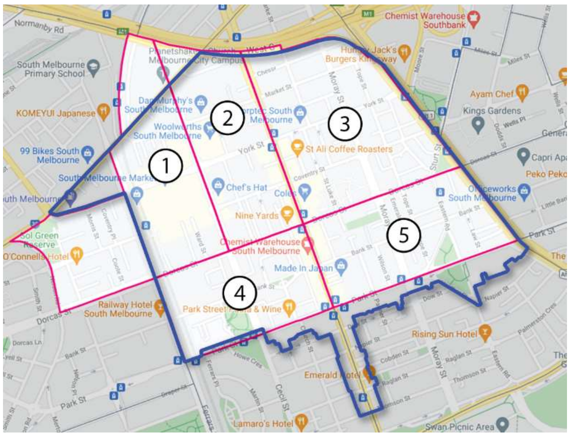
It is noted that the number of jobs located in the study area based on Census information is a relatively blunt measure, given that the number of workers physically present will depend on the hours worked, which in recent years has been influenced by changing work preferences and the increasing prevalence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

T6. EMPLOYMENT DENSITY BY DESTINATION ZONE, 2016

Destination Zone ID (Refer to Figure 17)	Land Area (ha)	Number of Jobs	Jobs per ha
1	21	1,583	75
2	14	4,842	346
3	21	4,116	196
4	12	606	51
5	14	1,568	112
Total	82	12,715	155

Source: ABS Census of Population and Housing, 2016, adjusted by Urban Enterprise to account for Census undercount.

F17. LOCATION OF DESTINATION ZONES CORRESPONDING TO STUDY AREA



Source: Urban Enterprise.

[8] Measure is based on Destination Zones which correspond broadly with the study area as shown in Figure 19, noting that the Industrial 1 Zone, southernmost frontage to Clarendon Street and southside of Park Street are not included because the respective Destinations Zones extend well beyond the study area to capture a range of other areas and employment types. Destination zones (DZNs) are the spatial unit used to code Place of Work (POWP) for Census data and are an aggregation of 2016 Mesh Blocks.

3.8. DEMOGRAPHIC & LABOUR FORCE PROFILE

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

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

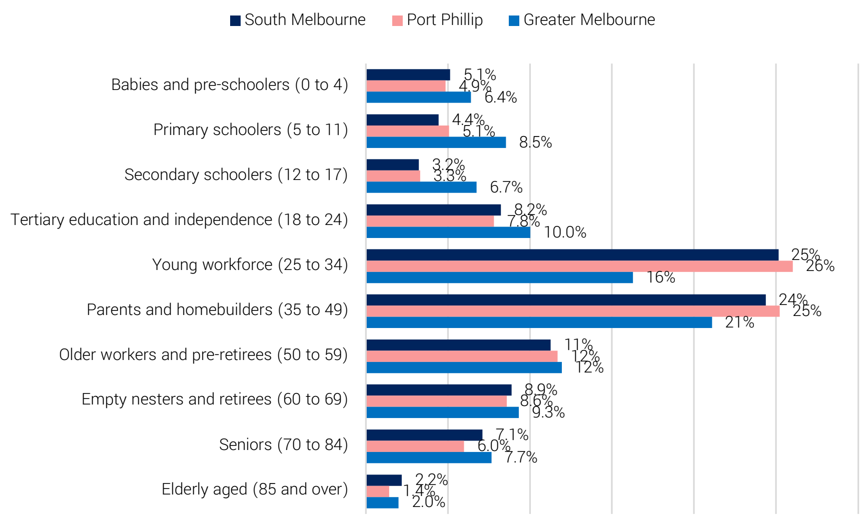
- The household composition in South Melbourne is weighted towards single and adult couple households with a young to middle aged profile (25-50 years) predominating. The 'young workforce' cohort is particularly prominent in South Melbourne.
- Only 13% of South Melbourne households are families; a much lower proportion compared with Greater Melbourne (33%).
- Port Phillip and South Melbourne generally accommodate an affluent resident population, with higher household incomes, a higher proportion of skilled and professional workers and lower unemployment. In South Melbourne itself, however, SEIFA results in 2016 indicate that a broader measure of 'advantage' for the suburb (index 1026) is similar to Melbourne overall (1021) – this points to the polarised communities in South Melbourne where a high incidence of public housing contrasts with high value dwellings which dominate the private housing market.

T7. DEMOGRAPHIC SNAPSHOT, 2016

Area	SEIFA[1]	Ave household size	Weekly household income (median)	Household Type (% of households)		
				Couples with Children	Couples without Children	Lone Person
South Melbourne Suburb	1026	1.90	$1,846	13%	26%	34%
City of Port Phillip	1069	1.91	$1,836	15%	25%	35%
Greater Melbourne	1021	2.61	$1,539	33%	23%	22%

Source: ABS Census of Population and Housing, Profile Id, 2016. 1. The national average index score is 1,000. Any higher score means a lower level of disadvantage (or higher level of advantage).

F18. AGE PROFILE BY SERVICE GROUPS, 2016



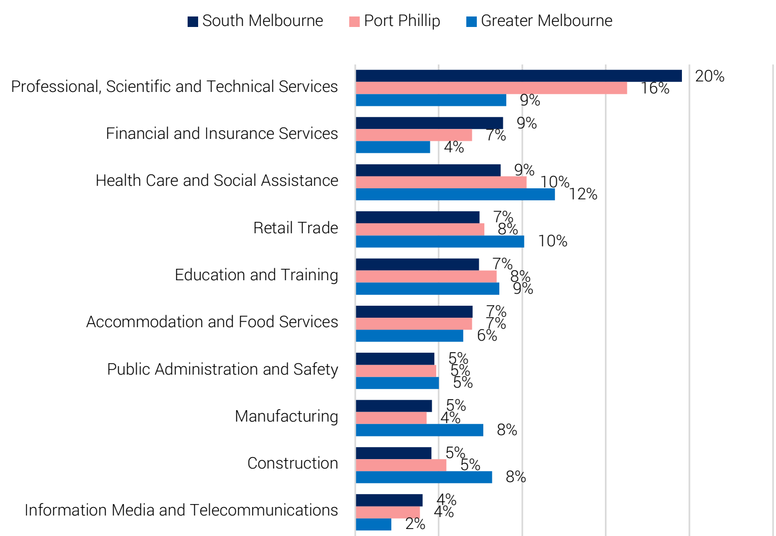
Source: ABS Census of Population and Housing, Profile Id, 2016.

3.8.1. EMPLOYMENT BY INDUSTRY & OCCUPATIONS

Employed residents in South Melbourne and Port Phillip are highly skilled and weighted towards professionals. The most common occupations held by South Melbourne residents are professionals (40%) and managers (21%) in professional, financial, technical and insurance service sectors, as well as information media and communications.

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

F19. EMPLOYMENT BY INDUSTRY (TOP 10), 2016



Source: ABS Census of Population and Housing, Profile Id, 2016

T8. OCCUPATIONS, 2016

Occupation	South Melbourne	Port Phillip	Greater Melbourne
Managers	21%	19%	13%
Professionals	40%	38%	25%
Technicians and Trades Workers	7%	8%	13%
Community and Personal Service Workers	8%	8%	10%
Clerical and Administrative Workers	13%	12%	14%
Sales Workers	7%	8%	10%
Machinery Operators and Drivers	1%	1%	6%
Labourers	3%	3%	8%
Not stated or inadequately described	1%	2%	2%

Source: ABS Census of Population and Housing, Profile Id, 2016

JOURNEY TO WORK

The City of Port Phillip has a job containment rate of 19%, with around 14,000 residents who both live and work in the municipality. Key observations relevant to journey to work include the following:

- There is a high level incidence of in-commuting from other parts of metropolitan Melbourne. More than 64,000 employed persons travel into Port Phillip for work.
- Port Phillip's workforce travels from most parts of the metropolitan area, but there is a high level of in-commuting from the eastern municipalities of Glen Eira, Stonnington, Bayside, Boroondara and Monash, as well as the City of Melbourne and the City of Yarra.
- Approximately 57,000 employed Port Phillip residents travel to jobs outside the municipality. Most of these travel to other inner metropolitan municipalities, including 37% to the City of Melbourne, 6% to Yarra and 5% to Stonnington.

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

LGA	In-commuting	%	Out-commuting	
Port Phillip	13,973	19%	13,973	24%
Glen Eira	5,110	6.8%	1,675	2.9%
Stonnington	4,036	5.4%	3,064	5.3%
Melbourne	3,784	5.0%	21,105	37%
Wyndham	3,514	4.7%	433	0.8%
Bayside	3,184	4.2%	1,219	2.1%
Moreland	2,837	3.8%	333	0.6%
Boroondara	2,741	3.6%	1,407	2.5%
Kingston	2,594	3.4%	1,278	2.2%
Monash	2,539	3.4%	1,664	2.9%
Yarra	2,396	3.2%	3,151	5.5%
Brimbank	2,134	2.8%	550	1.0%
Darebin	2,101	2.8%	345	0.6%
Maribyrnong	2,075	2.8%	503	0.9%
Hobsons Bay	2,022	2.7%	442	0.8%
Total	**75,407**		**57,365**	

Source: Journey to work, Port Phillip employed residents, Census of Population and Housing, ABS, 2016.

3.9. POPULATION AND RECENT GROWTH

In 2020, the estimated population of the suburb of South Melbourne (small area) was approximately 13,000 persons[9]. The population grew strongly in the preceding five years, with an increase of close to 1,500 residents (+13%) at an average rate of 2.5% per annum.

The City of Port Phillip's population has also grown strongly over the past 5 years, albeit at a lower rate. The population increased from around 106,000 residents in 2015 to almost 116,500 in 2020 (+9%) at an average annual growth rate of 1.8%.

Population projections prepared for Council estimate that the municipal population will increase at a similar rate to recent experience, with a rate of 2.0% per annum projected to result in a total municipal population in 2041 of approximately 177,000. This equates to an additional 57,500 residents compared with 2021.

Fishermans Bend is expected to accommodate the majority of the municipality's population growth over the period (+28,000 residents). Population growth in South Melbourne is projected to be considerably lower compared with historical rates. The South Melbourne (small area) is forecast to add approximately 1,700 residents by 2041 at an average rate of 0.7% per annum, however the neighbouring Domain area is projected to experience strong population growth with an additional 6,000 residents projected to locate in the Domain small area between 2021 and 2041.

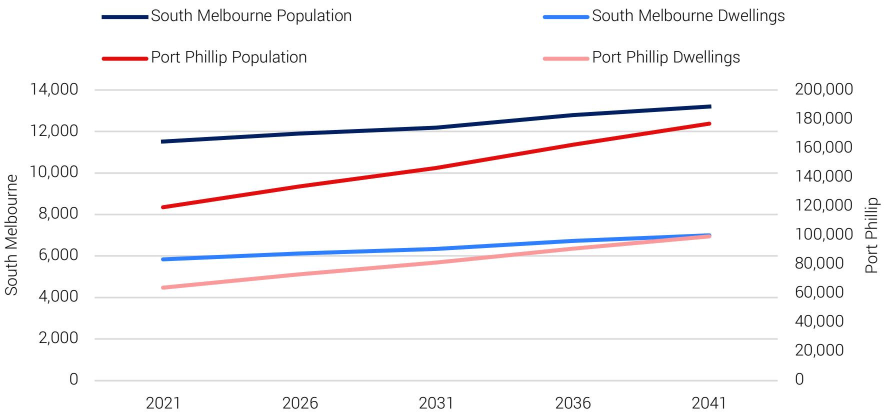
The areas surrounding South Melbourne, including Southbank, Domain and Fishermans Bend are all expected to accommodate strong residential growth.

T10. ESTIMATED RESIDENT POPULATION, 2015 TO 2020

Estimated Resident Population	2015	2020	Change	Change %	AAGR %
South Melbourne (small area)	11,457	12,941	1,484	13%	2.5%
City of Port Phillip (LGA)	106,381	116,476	10,095	9%	1.8%

Source: ERP, South Melbourne, 2015 & 2020, Profile id.
AAGR: Average Annual Growth Rate.

F20. FORECAST POPULATION AND DWELLINGS, SOUTH MELBOURNE & PORT PHILLIP, 2021 TO 2041



Source: Projected population, South Melbourne (suburb), Forecast Id, 2016.

[9] Forecast ID estimates prepared for the City of Port Phillip. The approach to forecasts is based on a 'bottom-up' approach, with all assumptions being derived from a local perspective. The components of the model are derived exclusively from housing and demographic assumptions. The drivers of the forecasts are predominantly based on levels of new residential development and demographic assumptions, such as in and out migration rates from the local areas. These projections were prepared in November 2019 and do not account for the impacts of the COVID-19 pandemic.

4. ECONOMY AND EMPLOYMENT

4.1. INTRODUCTION

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

A key data source for this analysis is the 2016 Census which provides the most detailed employment data available at the local level. Although this information is now dated, the next Census results are not expected to be available until late 2022. Data has been obtained from other sources (such as WorkCover) to provide an indication of the type and scale of economic changes since 2016 to complement the 'baseline' 2016 data. Business consultation also informs analysis later in this report.

4.2. KEY POINTS

- **The business and employment base in the study area is weighted towards professional services, creative industries and retail and hospitality businesses.**
- **The business mix is dominated by micro and small professional businesses with less than 20 staff, however recent development is creating larger floorplates and office premises.**
- **The local business base has increased in recent years, driven primarily by knowledge based sectors and hospitality.**
- **Advertising and computer system design are the sub-sectors of highest employment, together making up half of the professional services employment in the study area.**
- **South Melbourne is one of only 5 suburbs within 10km of the CBD with more than 15% of its workers employed in creative industries, indicating a particular specialisation in creative business types.**
- **South Melbourne had the highest concentration of motion picture and video production businesses of any suburb in Melbourne in 2018 – many of these businesses utilise former industrial spaces across the study area.**
- **South Melbourne accommodates a cluster of video game development businesses, many of which are expanding and hiring staff with a focus on export-oriented revenue.**
- **There are synergies between various local economic specialisations, especially across radio broadcasting, advertising, marketing, video production, sound recording, post-production and video game design which underpin a highly specialised and well-established media cluster.**
- **The South Melbourne Market is a major retail destination which contributes to the amenity and vibrancy of the study area. Hospitality, professional and creative businesses are intensifying around the market.**
- **One section of land in the industrial zone remains – this area accommodates a range of business, creative and retail types, few of which would be described as industrial.**

4.3. EMPLOYMENT BY INDUSTRY

Employment data for the study area has been compiled based on the five Destination Zones which most closely align with the study area as described earlier in section 3.7 – the industry breakdown and changes between 2011 and 2016 are summarised in Table 11.

Key employment observations are as follows:

- Employment in South Melbourne is weighted towards professional services, creative industries, retail and hospitality, as well as manufacturing, wholesale trade and construction.
- Between 2011 and 2016, the number of jobs increased by almost 40%. Jobs increased between 2011 and 2016 across all sectors except Financial and Insurance Services and Transport, Postal and Warehousing.
- The most significant increase in jobs occurred in Retail Trade, Professional Services, Administration Services, Accommodation and Food Services, Construction and Information Media and Telecommunications.

T11. EMPLOYMENT BY INDUSTRY, SOUTH MELBOURNE (DZ), 2011 AND 2016

Industry	2011		2016		Change (2011-16)
Professional, Scientific and Technical Services	2246	25%	2796	22%	550
Retail Trade	1149	13%	1772	14%	622
Information Media and Telecommunications	732	8%	1084	9%	352
Accommodation and Food Services	483	5%	917	7%	434
Manufacturing	777	9%	803	6%	26
Construction	368	4%	757	6%	389
Administrative and Support Services	327	4%	730	6%	403
Other Services	511	6%	723	6%	212
Health Care and Social Assistance	426	5%	631	5%	205
Financial and Insurance Services	581	6%	493	4%	-87
Wholesale Trade	433	5%	477	4%	44
Rental, Hiring and Real Estate Services	311	3%	445	4%	134
Public Administration and Safety	199	2%	343	3%	144
Education and Training	159	2%	309	2%	150
Arts and Recreation Services	151	2%	230	2%	79
Transport, Postal and Warehousing	193	2%	132	1%	-61
Electricity, Gas, Water and Waste Services	44	0%	49	0%	5
Agriculture, Forestry and Fishing	4	0%	16	0%	13
Mining	0	0%	5	0%	5
Total	9092	100%	12710	100%	3618

Source: Employment by industry, South Melbourne, ABS, 2011 & 2016, scaled to reflect Census undercount.

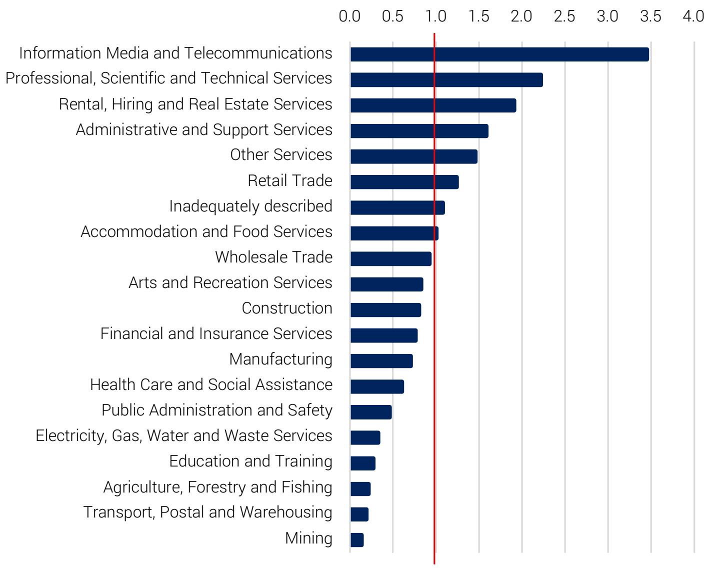
4.3.1. EMPLOYMENT SPECIALISATIONS

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

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

The LQ analysis in Figure 21 shows that South Melbourne has particularly pronounced advantages in the sectors of Information Media and Telecommunications and Professional, Scientific and Technical Services.

F21. SOUTH MELBOURNE INDUSTRY LOCATION QUOTIENT WITH GREATER MELBOURNE, 2016



Source: ABS Census 2016.

EMPLOYMENT BY SUB-SECTOR

Sub-sector employment figures for 2011 and 2016 have been collected for industries with a LQ of greater than 1.2 with results shown in Table 13.

Key observations are:

- The highest employing sub-sectors in the professional services industry were Advertising and Computer System Design Services – each of these sectors increased strongly in employment between 2011 and 2016. These activities accounted for 50% of professional services employment in South Melbourne, a very high proportion considering that other sub-sectors such as legal services and accounting comprise a far greater share of the overall industry across Melbourne.
- There were 440 jobs in radio broadcasting, motion picture and video production activities in South Melbourne, which account for more than 50% of jobs in information media and telecommunications.
- The highest employing retail sub-sectors are supermarket and grocery stores (261 jobs), manchester and other textiles (198 jobs), department stores (126 jobs) and other store based retail (107 jobs).
- There were 461 jobs across cafes and restaurants; a 58% increase compared with 2011.

T12. SUB-SECTOR EMPLOYMENT, SPECIALISED INDUSTRIES, SOUTH MELBOURNE (DZ), 2016

Industry	Sub-sector	2016	% of sub-sector total	Change (2011-16)
Professional, Scientific and Technical Services	Advertising Services	671	30%	129
	Computer System Design and Related Services	435	20%	139
	Accounting Services	154	7%	82
	Architectural Services	143	6%	-27
	Market Research and Statistical Services	132	6%	-70
	Management Advice and Related Consulting Services	127	6%	-60
	Other Specialised Design Services	116	5%	4
	Engineering Design and Engineering Consulting Services	115	5%	18
	Legal Services	81	4%	42
	Surveying and Mapping Services	74	3%	8
Information Media & Telecommunications	Radio Broadcasting	194	23%	36
	Motion Picture and Video Production	131	15%	45
	Post-production Services and Other Motion Picture and Video Activities	115	13%	30
	Information Media and Telecommunications	65	8%	47
	Internet Publishing and Broadcasting	64	7%	61
	Newspaper Publishing	55	6%	51
Administrative and Support Services	Building and Other Industrial Cleaning Services	220	38%	161
	Travel Agency and Tour Arrangement Services	162	28%	86
	Other Administrative Services	69	12%	35
	Employment Placement and Recruitment Services	59	10%	17
Retail Trade	Supermarket and Grocery Stores	261	19%	113
	Manchester and Other Textile Goods Retailing	198	14%	-27
	Department Stores	126	9%	122
	Other Store-Based Retailing	107	8%	52
	Clothing Retailing	85	6%	52
	Retail Trade	73	5%	34
	Pharmaceutical, Cosmetic and Toiletry Goods Retailing	68	5%	28
	Fresh Meat, Fish and Poultry Retailing	55	4%	20
	Liquor Retailing	48	3%	21
Accommodation & Food Services	Cafes and Restaurants	461	64%	267
	Pubs, Taverns and Bars	82	11%	41
	Takeaway Food Services	67	9%	-34
Other Services	Hairdressing and Beauty Services	124	22%	48
	Labour Association Services	112	20%	-3
	Religious Services	76	13%	58

Source: Employment by industry, South Melbourne, ABS, 2011 & 2016

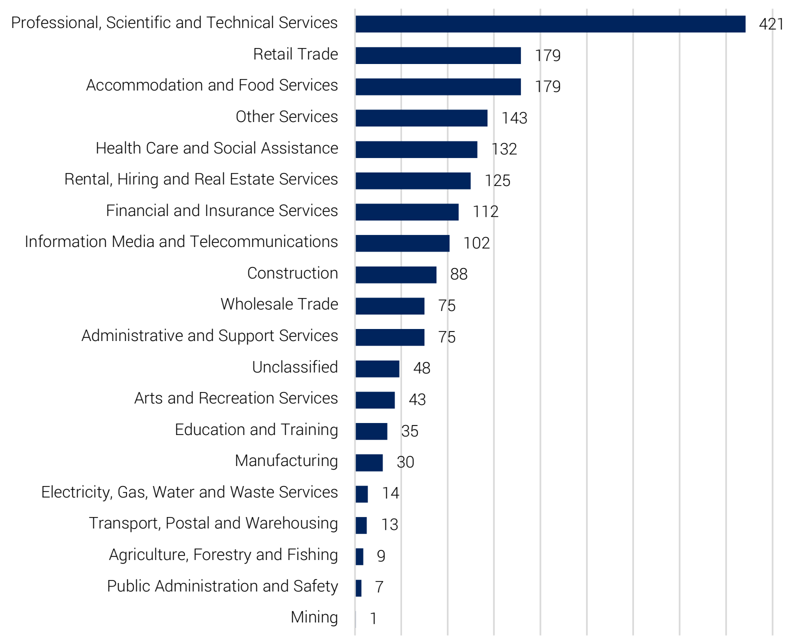
4.4. BUSINESS MIX

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

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

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

F22. BUSINESS BY INDUSTRY, STUDY AREA, 2021



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

By comparison, WorkCover data published for the suburb of South Melbourne identifies that in the 2017/18 financial year, 2,081 businesses were operating[10]. The suburb takes in a broader area including parts of the Montague precinct in Fishermans Bend and commercial properties along Albert Road.

The WorkCover data is summarised in Figure 23, showing that the business base has been increasing over time, and corroborating the preceding analysis which indicates that the major industry is professional services.

F23. WORKCOVER BUSINESS DATA FOR SOUTH MELBOURNE SUBURB

Source: Workcover, 2018.

[10] Source: Worksafe Victoria 2018.

BUSINESS LOCATIONS

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

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

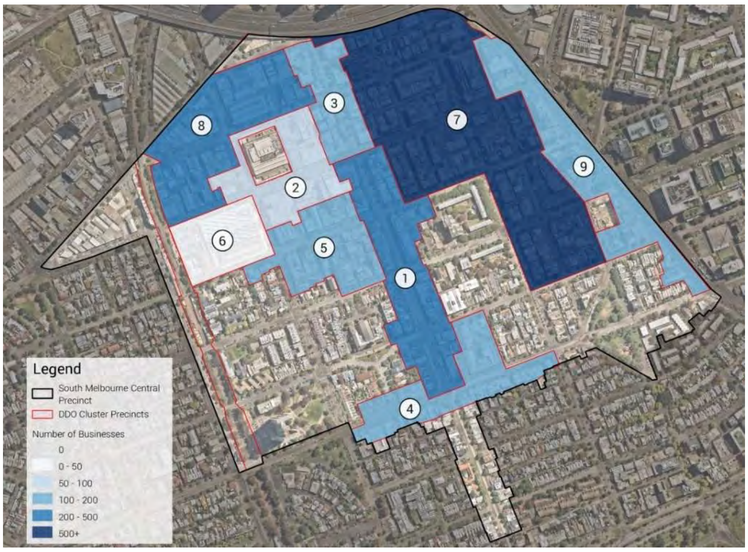
T13. BUSINESS BY INDUSTRY (BY ZONE), STUDY AREA

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

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

Figure 24 and the accompanying Table 14 provide a spatial representation of where South Melbourne businesses are clustered in relation to the DDO8 sub-precincts. Precinct 7 is the largest in terms of area and currently accommodates more than 500 businesses; the most of any DDO sub-precinct. The C2Z applies across most of this precinct.

F24. BUSINESS LOCATIONS, DDO8 PRECINCTS



T14. BUSINESS LOCATIONS, DDO8 PRECINCTS

Map ID	Precinct	DDO Schedule	Business count	Total
1	Clarendon Street Core Local Shopping Precinct	DDO8-1	248	248
2	Emerging Activity Centre	DDO8-2a	40	71
		DDO8-2b	16	
		DDO8-2c	15	
3	Northern Mixed Activity Edge	DDO8-3	109	109
4	Southern Mixed Activity Edge	DDO8-4a	20	134
		DDO8-4b	114	
5	Coventry St Shopping Precinct	DDO8-5a	123	181
		DDO8-5b	58	
6	South Melbourne Market	DDO8-6	*	*
7	Eastern Business Precinct	DDO8-7a	335	525
		DDO8-7b	164	
		DDO8-7c	26	
8	Western Business Precinct	DDO8-8a	82	231
		DDO8-8b	91	
		DDO8-8c	58	
9	Kings Way Mixed Use Corridor	DDO8-9a	98	107
		DDO8-9b	4	
		DDO8-9c	5	
N/A		Not Stated	221	221
	Total		1,827	

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

BUSINESS BY EMPLOYMENT SIZE

Table 15 summarises business size in terms of number of employees for each industry within the South Melbourne SA2 in 2019 (noting that the SA2 is a larger spatial area that the study area and includes industrial areas to the northwest in the Montague Precinct of Fishermans Bend).

Key observations are as follows:

- Once non-employing businesses are discounted, the majority of businesses (88%) are classified as either 'micro' (59%) or 'small' (29%) businesses.
- Micro and small professional services businesses dominate the business profile, accounting for 26% of all businesses.
- Only 12% of businesses employ more than 20 staff.

T15. BUSINESS BY INDUSTRY (BY SIZE), SOUTH MELBOURNE SA2, 2019

Industry	1-4	5-19	20-199	200+	Total
Professional, Scientific and Technical Services	394	170	58	0	622
Rental, Hiring and Real Estate Services	78	32	9	0	119
Financial and Insurance Services	131	29	11	0	171
Construction	97	35	15	0	147
Retail Trade	91	52	20	0	163
Accommodation and Food Services	74	67	32	3	176
Health Care and Social Assistance	51	26	13	0	90
Administrative and Support Services	65	49	22	3	139
Wholesale Trade	60	37	17	0	114
Information Media & Telecommunications	47	24	16	0	87
Other Services	66	25	6	0	97
Manufacturing	34	22	5	3	64
Transport, Postal and Warehousing	10	8	3	0	21
Arts and Recreation Services	24	10	3	0	37
Education and Training	19	12	12	0	43
Agriculture, Forestry and Fishing	8	6	0	0	14
Currently Unknown	0	3	3	0	6
Electricity, Gas, Water and Waste Services	6	3	0	0	9
Mining	5	0	0	0	5
Public Administration and Safety	3	5	3	0	11
Total	1,263	615	248	9	2,135
%	59%	29%	12%	0.4%	100%

Source: Business counts by industry, South Melbourne SA2, ABS, 2019.

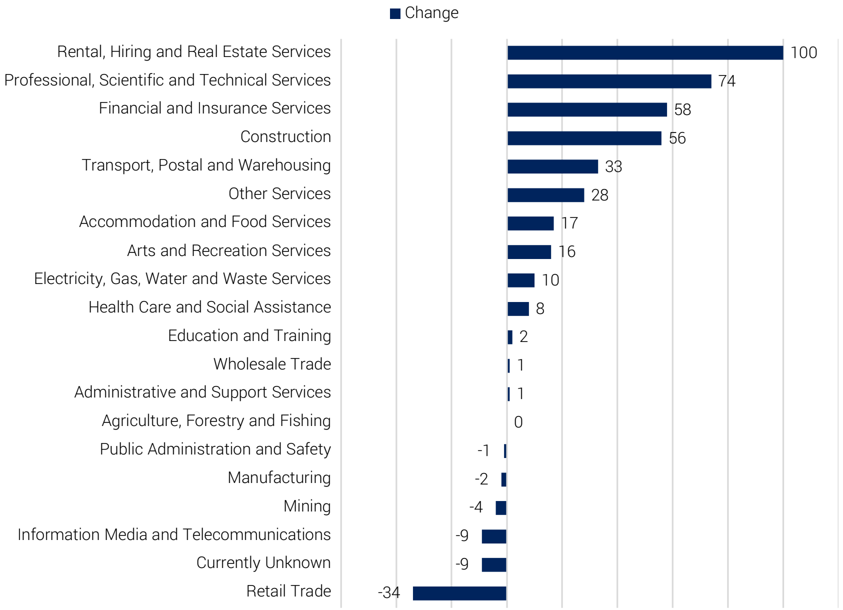
BUSINESS CHANGE

Between 2017 and 2019, the number of businesses in South Melbourne increased by 345, equating to 7% growth in the business base. The change in businesses was driven by 'knowledge'[11] sectors, with 38% of the growth attributed to the professional and financial service sectors. This provides further evidence of a strengthening role in professional 'knowledge' and 'creative' industries and office-based jobs.

There was a net reduction in retail trade businesses over the period but an increase in businesses in the accommodation and food services sector – this is consistent with economy wide trends away from traditional in-store retailing and towards hospitality businesses in inner metropolitan areas.

It is noted that in recent years, several major commercial and mixed use developments have been completed in the study area which has influenced the availability of new premises and the attraction of certain business types – this is analysed in Section 5.

F25. BUSINESS ENTRIES/EXITS, SOUTH MELBOURNE SA2, 2017 TO 2019



Source: Business counts by industry, South Melbourne SA2, ABS, 2017-2019.

[11] Knowledge industries are those industries which are based on their intensive use of technology and highly skilled human capital. This generally relates to the industries of Professional, Scientific and Technical Services, Finance and Insurance Services and Information Media and Telecommunications, although can also include parts of other industries.

4.5. VALUE-ADDED

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

In South Melbourne, the most productive industries in terms of value-added are 'white collar' office-based sectors such as professional, financial and creative service industries, as highlighted in Table 16. Together, these industries in South Melbourne add an estimated $674 million to Port Phillip's economy, accounting for 51% of total value-added. This demonstrates the overall importance of these industries in terms of productivity and value-added to South Melbourne's economy.

Retail trade is also estimated to add approximately $108 million in value to the local economy, accounting for 8% of the total annual value-added.

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

Industry	Jobs (study area)	Value added ($m)	% of total
Professional, Scientific and Technical Services	2,211	$272.7	21%
Information Media and Telecommunications	857	$150.2	11%
Financial and Insurance Services	390	$128.2	10%
Administrative and Support Services	577	$122.9	9%
Retail Trade	1,401	$108.1	8%
Rental, Hiring and Real Estate Services	352	$87.5	7%
Manufacturing	635	$65.6	5%
Wholesale Trade	377	$64.7	5%
Construction	599	$57.5	4%
Other Services	572	$41.6	3%
Health Care and Social Assistance	499	$40.4	3%
Public Administration and Safety	271	$39.3	3%
Accommodation and Food Services	725	$39.0	3%
Education and Training	244	$19.4	1.5%
Arts and Recreation Services	182	$16.4	1.3%
Transport, Postal and Warehousing	104	$14.8	1.1%
Electricity, Gas, Water and Waste Services	39	$10.5	0.8%
Agriculture, Forestry and Fishing	13	$880.3	0.1%
Mining	4	$615.6	0%
Total	10,052	$1,280	100%

Source: Value-added by industry, City of Port Phillip, Economy id 2020 / Employment by industry, ABS, South Melbourne (DZ) 2016, derived by Urban Enterprise 2021.

4.6. INDUSTRY SPECIALISATIONS

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

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

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

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

4.6.1. CREATIVE INDUSTRIES

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

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

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

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

Table 17 summarises the total number of businesses and jobs across these sub-categories. In total, there are approximately 2,250 jobs in creative industries in South Melbourne across 230 businesses. Employment in these sub-sectors accounts for 22% of all jobs in South Melbourne, highlighting the importance of activities to the role and function of the local economy.

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

T17. CREATIVE INDUSTRIES, SOUTH MELBOURNE

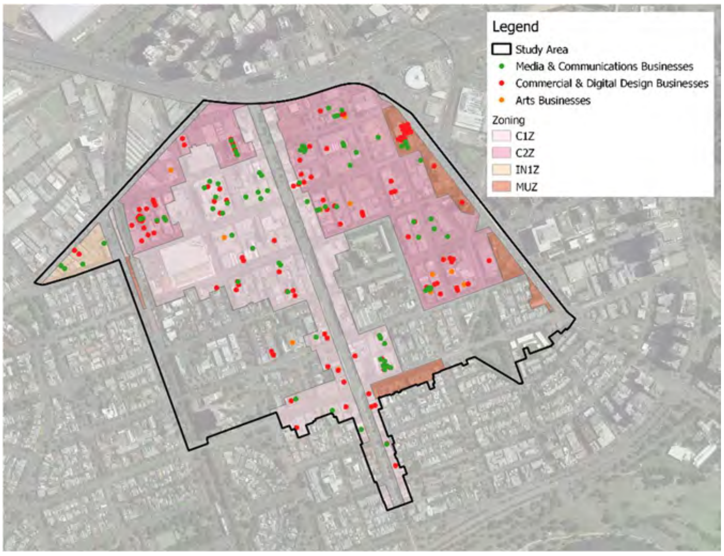
Sub-category	Creative Industry Businesses	South Melbourne Businesses	Creative Industry Jobs	South Melbourne Jobs
Media + Communications	88		1,438	
Commercial + Digital Design	124		694	
The Arts	21		119	
Total	233	1,831	2,251	10,052

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2016/ Business database, South Melbourne, ABR / Google 2021. Note: census undercounts employment, actual job numbers will be higher than those shown. Data relevant for comparison purposes.

Creative industry businesses are prominent throughout the study area, with a cluster of businesses in the C2Z, C1Z, MUZ and even the IN1Z as shown in Figure 26.

Figure 27 shows images of creative businesses, many of which are office-based and undertake activities relating to advertising, design or music. Other creative businesses produce videos and record music (along with other activities) in former industrial premises that are better described as studios – these premises are distinctly different from the offices that are occupied by the majority of businesses which fall under the adopted definition of 'creative'.

F26. BUSINESS LOCATIONS, CREATIVE INDUSTRIES, SOUTH MELBOURNE



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

F27. EXAMPLES OF CREATIVE INDUSTRY BUSINESS

Yamaha, Corporate Office

Baenziger Coles, Architecture

M&C Saatchi, Advertising

MEDIA + COMMUNICATIONS

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

There are approximately 1,440 jobs across 88 businesses in the media and communications industry. The majority of businesses are located in the north of the study area around York Street, Cecil Street, Coventry Street and Clarendon Street in the C1Z and C2Z.

The most prominent sub-sector is advertising, with around 670 jobs in the study area. Radio broadcasting includes close to 200 jobs, including Triple M and Fox FM studios.

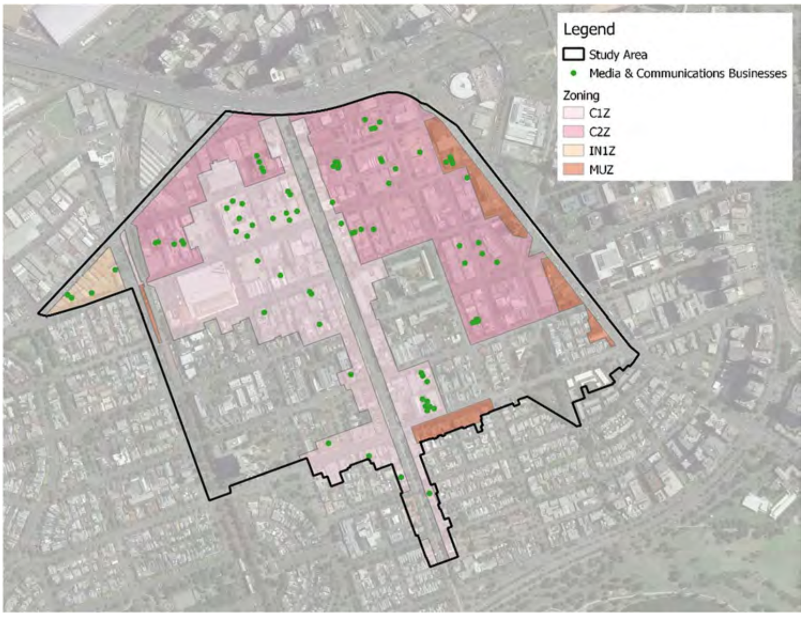
When grouped together, motion picture, video production and post-production services include close to 250 jobs, demonstrating the prevalence of these sub-sector activities.

T18. MEDIA + COMMUNICATIONS SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Media + Communications	88	1,438	- Advertising (671 jobs) - Radio broadcasting (194 jobs) - Motion picture & video production (131 jobs) - Post-production services & other motion picture and video activities (115 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2016/Business database, South Melbourne, ABR / Google 2021. Note: census undercounts employment, actual job numbers will be higher than those shown.

F28. BUSINESS LOCATIONS, MEDIA + COMMUNICATIONS, SOUTH MELBOURNE

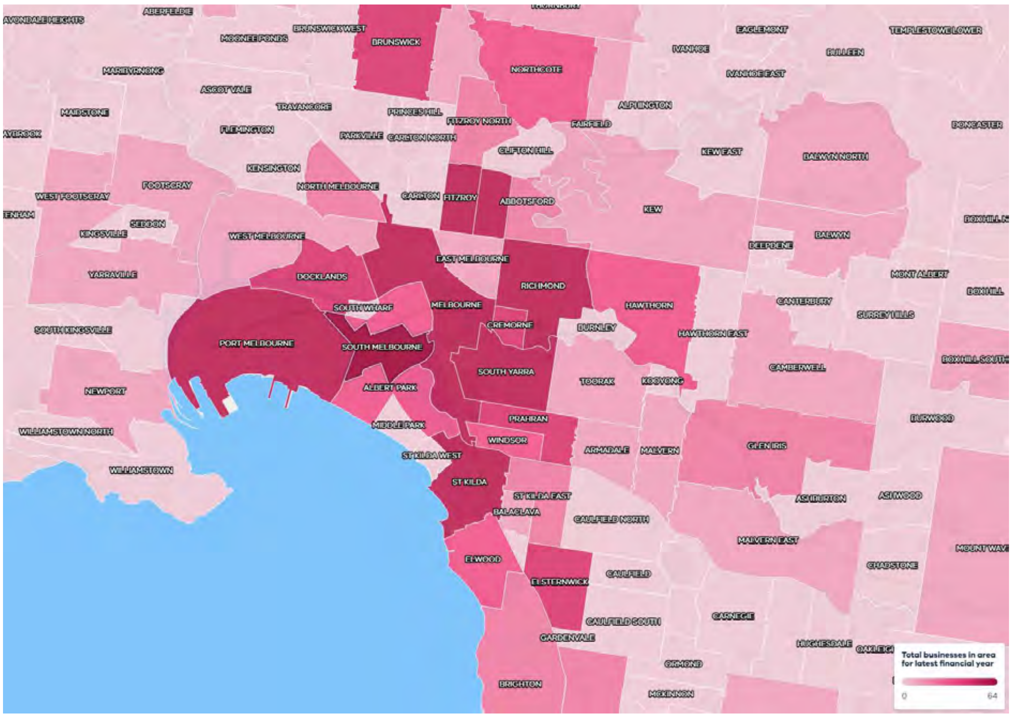


Source: Urban Enterprise 2021, derived from business database, South Melbourne, ABR / Google 2021.

The study area accommodates a substantial cluster of motion picture and video production businesses. According to WorkCover data for 2018, the suburb of South Melbourne had the highest number of businesses in this sub-sector of any suburb in Melbourne (64) as demonstrated in Figure 29.

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

F29. NUMBER OF BUSINESS IN MOTION PICTURE AND SOUND RECORDING ACTIVITIES BY SUBURB



Source: Workcover, 2018.

COMMERCIAL + DIGITAL DESIGN

Commercial and digital design includes activities such as architecture, interior and fashion design (e.g., clothing, textiles, jewellery), as well as graphic, signwriting and game design and development. In total, there are close to 700 jobs across 124 business in this sector in South Melbourne.

Computer system design and related services includes expertise in the field of information technologies such as writing, modifying, testing or supporting software to meet the needs of a particular consumer; or planning and designing computer systems that integrate computer hardware, software and communication technologies. This sub-sector includes 435 jobs, the second highest employment of any sub-sector.

In terms of commercial design, there are a number of small businesses in the fields of architecture, interiors, fashion and graphics. These industries include approximately 260 jobs (in aggregate).

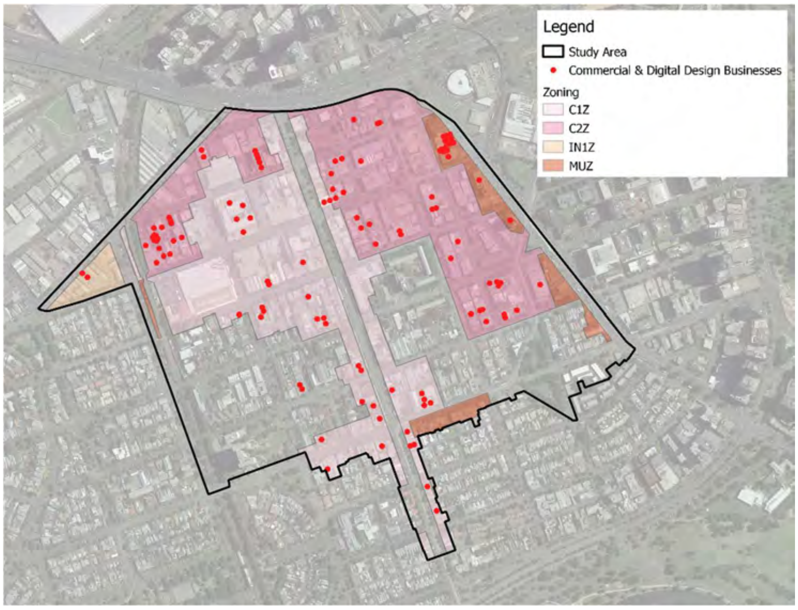
These businesses typically occupy office spaces throughout the C1Z and C2Z.

T19. COMMERCIAL + DIGITAL DESIGN SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Commercial + Digital Design	124	694	- Computer system design & related services (435 jobs) - Architectural services (143 jobs) - Other specialised design services (116 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2016/ Business database, South Melbourne, ABR / Google 2021

F30. BUSINESS LOCATIONS, COMMERCIAL + DIGITAL DESIGN, SOUTH MELBOURNE



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

GAME DESIGN

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

Although research undertaken in 2021 identified 26 game design businesses operating at The Arcade (see Table 20), The Arcade is understood to be dissolving which will require businesses to seek alternative premises.

T20. GAME DESIGN BUSINESSES IN SOUTH MELBOURNE

Game Design Businesses in South Melbourne	
Atomiser Games	League of Geeks
Bit Dragon	Lumi
CG Spectrum	Mighty Serious
Dbolical	mod.io
Dime Studios	Mountains Studio
Double Jump Communications	Powerhoof
Enabler	Samurai Punks
Epic Games	Sun Studios
Fellow Traveller	The Arcade
Game Developer Association of Victoria	Tin Man Games
Harmonious Games	Valorian Games
Ironworks Games	Vector Storm
Kixeye	Yodo Games

Source: Supporting Enterprise and Creative Industries, Echelon and Hodyl and Co, April 2021.

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

- Victoria accommodated 40% of Australia's game development studios and 52% of employment in 2019/20. 67% of businesses in the industry planned to hire new staff in 2020/21 turnover to increase, and 87% of income for businesses is generated overseas, making it a highly export focussed sector.[12]
- The Victorian State government announced in November 2020 that "there will be $4.7 million for the development and production of local content across film, television, online and digital games. Film Victoria's investment in the development of locally generated digital games will double."[13]
- Activision, a Nasdaq-listed video game publisher, has announced the establishment of a new studio in South Melbourne in a recently completed 1,500sqm office space with the intention to hire 120 staff[14]. Melbourne was selected due to the "diversity, deep pool of talent and experience, culture and lifestyle."[15]

A range of other game development and related businesses are located in South Melbourne and Southbank, such as Frameplay and Big Ant.

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

[13] https://www.film.vic.gov.au/news/major-new-incentive-kicks-off-turbo-charged-growth-for-victorias-screen-industry

[14] Australian Financial Review, February 16, 2021.

[15] https://www.invest.vic.gov.au/cn/resources/case-studies-search/case-studies/sledgehammer-games-case-study

THE ARTS

The Arts includes services that relate to the production, operation or education of visual arts, performing arts and fine arts. This sub-sector is the least prevalent creative industry in South Melbourne, with approximately 120 jobs across 21 businesses.

Most businesses are located to the east of Clarendon Street in the C2Z, as shown in Figure 31.

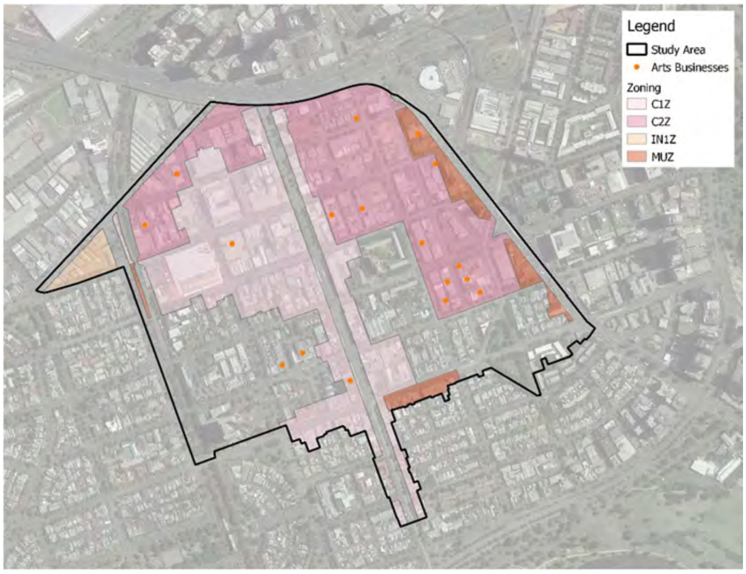
Whilst the sector currently performs a tertiary economic role in creative industries in South Melbourne, there are clear locational synergies with the nearby Melbourne Arts Precinct. This precinct is internationally renowned for visual, fine and performing art, and its role will strengthen due to the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

T21. THE ARTS SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
The Arts	21	119	- Creative artists, musicians, writers and performers (31 jobs) - Arts education (26 jobs) - Performing arts operation (20 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2016/ Business database, South Melbourne, ABR / Google 2021.

F31. BUSINESS LOCATIONS, THE ARTS, SOUTH MELBOURNE



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

4.6.2. CREATIVE INDUSTRY JOBS IN INNER MELBOURNE

An analysis of how South Melbourne compares with other parts of Melbourne in terms of employment in creative sectors is provided in Table 22. The table shows the top 10 SA2s within 10km of the Melbourne CBD (the area identified in previous studies as the focus for enterprise precincts and creative pursuits in the city) in terms of the proportion of employees in creative industries.

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

T22. CREATIVE INDUSTRY EMPLOYMENT, TOP 10 INNER MELBOURNE SA2S, 2016

	INNER SOUTH		INNER EAST		INNER SOUTHEAST		INNER NORTH		CBD	
	South Melbourne	Southbank	South Yarra - East	Richmond	Albert Park*	St Kilda	Collingwood	Carlton	Docklands	Melbourne
Media + Communications	2,257 (8.7%)	1,940 (5%)	1,494 (11.7%)	2,278 (6%)	679 (4%)	508 (3.4%)	450 (4%)	323 (2%)	1,647 (3%)	2,029 (1%)
Commercial + Digital Design	2,269 (8.7%)	3,298 (8.5%)	658 (5.2%)	2,541 (7%)	1,988 (12%)	1,010 (6.8%)	1,367 (12%)	717 (4.6%)	3,982 (6.9%)	15,817 (7.2%)
Arts	244 (1%)	1,885 (4.9%)	188 (1.5%)	399 (1%)	240 (1.5%)	317 (2%)	285 (2.5%)	573 (3.7%)	115 (0.2%)	956 (0.4%)
Total	4,770 (18%)	7,123 (18%)	2,340 (18%)	5,218 (14%)	2,907 (18%)	1,835 (12%)	2,102 (18%)	1,613 (10%)	5,744 (10%)	18,802 (9%)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2016. * Albert Park includes St Kilda Road.

4.6.3. PROFESSIONAL & FINANCIAL SERVICES

Professional and financial services is a prominent industry group in South Melbourne. The sectors employ over 1,500 people across 367 businesses. Local jobs within this sector are spread across several sub-sectors, including banking, real estate, accounting, market research and management consulting.

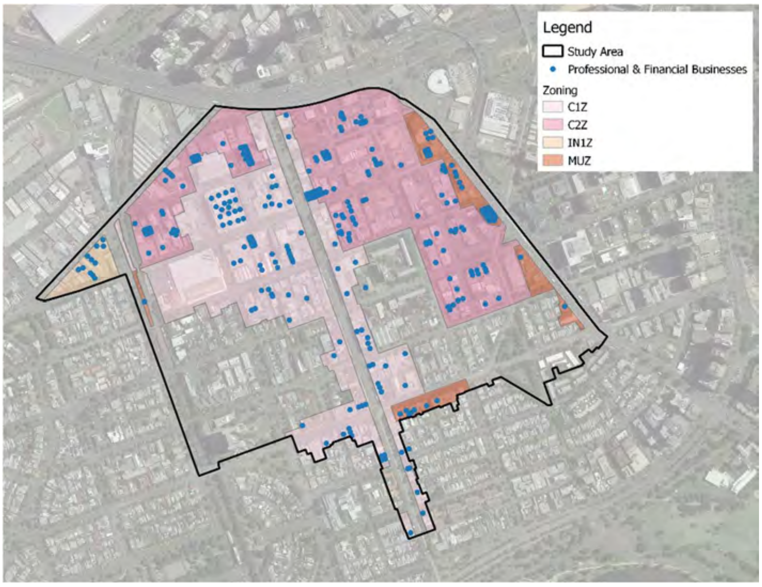
The business base is dispersed across the study area, including the C1Z, C2Z, MUZ and IN1Z. There are clusters of businesses within and surrounding the Clarendon Street corridor due to the high concentration of office premises and co-working spaces that are well-suited to micro, small and medium sized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

T23. PROFESSIONAL + FINANCIAL SERVICES SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Professional + Financial Services	367	1,548	- Banking (204 jobs) - Real estate services (160 jobs) - Accounting services (143 jobs) - Market research and statistical services (132 jobs) - Management advice + consulting services (127 jobs) - Engineering services (115 services)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2016/ Business database, South Melbourne, ABR / Google 2021

F32. BUSINESS LOCATIONS, PROFESSIONAL + FINANCIAL SERVICES, SOUTH MELBOURNE



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

4.6.4. RETAIL, HOSPITALITY & PERSONAL SERVICES

There is a high number of businesses (452) and jobs (2,709) in South Melbourne's retail, hospitality and personal service sector. There are three anchor and destination retail locations in the northern end of the study area, including:

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

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

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

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

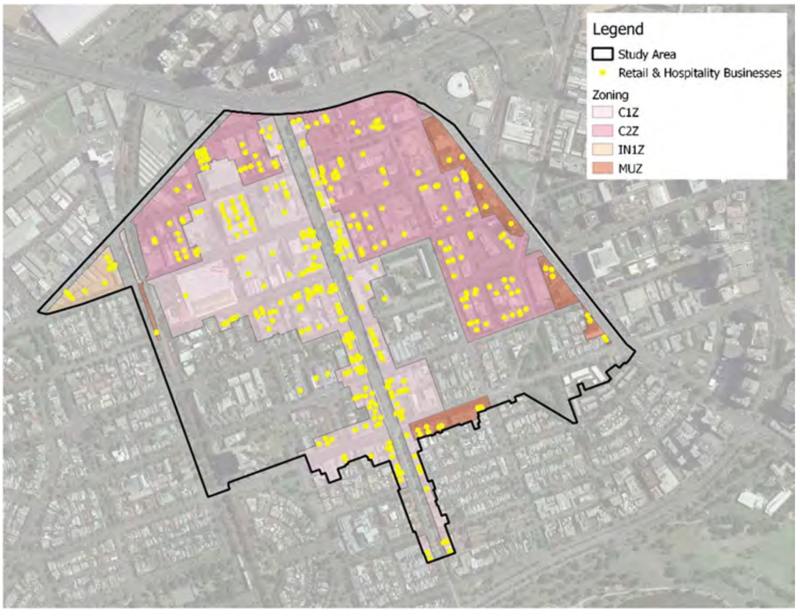
In the C2Z to the east of Clarendon Street, a series of kitchen, homeware and interior retail and showroom businesses have established in former and repurposed industrial and large format commercial premises. Examples of these businesses are shown in Figure 34. This eastern section of the C2Z is adjacent to Kings Way/Sturt Street and is somewhat divorced from the South Melbourne Activity Centre due to the distance and proximity from major retail precincts and intervening residential land.

T24. RETAIL, HOSPITALITY + PERSONAL SERVICES SNAPSHOT, SOUTH MELBOURNE

Sub-category	Businesses	Jobs	Highest employing sub-sectors
Retail, hospitality + personal services	452	2,709	- Cafes and restaurants (461 jobs) - Supermarket + grocery retailing (198 jobs) - Manchester + other textile goods (126 jobs) - Departments stores (126 jobs) - Hairdressing + beauty services (124 jobs)

Source: Urban Enterprise 2021, derived from Census of Population & Housing, ABS 2016/ Business database, South Melbourne, ABR / Google 2021

F33. BUSINESS LOCATIONS, RETAIL, HOSPITALITY + PERSONAL SERVICES, SOUTH MELBOURNE



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

F34. EXAMPLES OF RETAIL/SHOWROOM BUSINESSES IN KITCHEN, HOMEWARES & INTERIORS

Toto Bathroom Supplies, Coventry Street

Made in Italy Kitchens, Moray Street

SOUTH MELBOURNE MARKET

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

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

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

F35. SOUTH MELBOURNE MARKET

Source: Urban Enterprise 2021.

4.7. INDUSTRIAL AREA

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

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

Figure 36 shows the location context and interface with adjoining areas. The area has interfaces with Fishermans Bend (Montague Precinct), the South Melbourne Market (across the Port Melbourne light rail line) and a residential area to the south.

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

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

F36. INDUSTRIAL PRECINCT CONTEXT MAP

Source: Urban Enterprise, 2021.

BUSINESS MIX

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

Table 25 summarises the current businesses in the precinct. Key observations of the existing business mix are as follows:

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

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

T25. BUSINESS AUDIT, IN1Z PRECINCT, SOUTH MELBOURNE

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

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

DISCUSSION OF ROLE

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

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

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

4.8. BUSINESS CONSULTATION

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

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

Table 26 provides a summary of common issues that were raised through business consultation.

T26. SUMMARY OF ISSUES, BUSINESS CONSULTATION

Issue	Common consultation themes and findings
Location	The central location was identified as a key reason for businesses being based in South Melbourne. Several businesses indicated that their clients are located in the CBD, and that proximity and access to clients is very convenient. Being located in an inner 'suburb' without being in the heart of the CBD was identified as an attractive attribute.
Built-form	The built-form scale and character provides a point of difference to the high-rise and corporate culture of the CBD and St Kilda Road. This is unique to South Melbourne and contributes to the identity and vibrancy of the area.
Agglomeration	The clustering of business and industry types provides a number of benefits, including business to business opportunities, supply-chain efficiencies and being co-located with similar businesses and workers. These benefits are particularly important to businesses involved in media and advertising.
Amenity	The high-quality and critical mass of retail and hospitality amenity is highly attractive for businesses and their workers. Employees are encouraged to take advantage of the richness of cafes, restaurants, fresh food and produce retail in South Melbourne. Several businesses perceived safety as an issue in some parts of South Melbourne, particularly at night.
Access	The accessible nature of South Melbourne was identified as an advantage for businesses, with access via road and tram. Congestion is an issue during peak times, but generally workers, clients and suppliers can access the area conveniently.
Price	Businesses indicated that the cost of office space in South Melbourne has been rising, but it is still more affordable and competitive compared with the CBD. Several businesses (mainly micro) indicated that the affordability of spaces was becoming an issue, as rents had been increasing consistently year-on-year. Some consultees expect that there will be a greater trend for micro and small businesses to move to co-working spaces and shared tenancy arrangements (e.g., sub-lease). The drawback to this, however, is the loss of exclusive use and privacy. Media businesses consulted indicated that rent increases are having the effect of making the location less viable for start-up and emerging media businesses which generally seek low-mid rent premises.
Tenancy floorspace and configurations	A determining factor for businesses being located in South Melbourne was the availability of office space that was well suited to floorspace requirements. Many commercial tenancies are located in older office building (some with heritage attributes), but the spaces are flexible and modifying them is relatively straightforward. Many businesses indicated that their workforce now has greater flexibility due to the COVID-19 pandemic, with a mix of working from home and in the office. Creative and professional service business consultees generally expect that a more permanent return to work would occur post-pandemic, given that their work is collaborative, interactive and iterative. Some businesses noted that their floorplate configurations and floorspace needs may need to be revisited but did not anticipate any wholesale changes. Media businesses consulted indicated that former industrial premises are valuable in terms of their ability to be adapted for studio uses (e.g., sound and video recording) which require large uninterrupted floorplates and high ceilings.

The role and importance of creative industries and the arts	Consultation with representatives of creative and arts organisations noted that the inclusive and progressive nature of the Port Phillip community provides a safe and welcoming environment which supports and attracts a range of creatives and artists to the area. This is strengthened by the quality and range of public and private arts spaces, such as the South Melbourne Town Hall, Temperance Hall and music rooms within hospitality venues, proximity to the Melbourne Arts Precinct (which is performance and exhibition only, not 'creation'), and the proximity to a wide range of events and festivals. South Melbourne is located within proximity to a high volume of talented creatives, especially in theatre, music, design and technology. It was noted, however, that younger and 'new' artists generally can't afford to live in Port Phillip, which is a challenge to replenishing the arts scene, especially music. Consultees noted that the combination of open space, public land, performance space in hospitality venues and commercial premises suited to creative enterprises (especially those which enable businesses to 'try and fail') are critical to supporting a creative culture in the area.

Source: Urban Enterprise, 2021.

5. DEVELOPMENT ACTIVITY

5.1. INTRODUCTION

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

5.2. KEY POINTS

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

5.3. RESIDENTIAL DEVELOPMENT

5.3.1. DWELLING APPROVALS

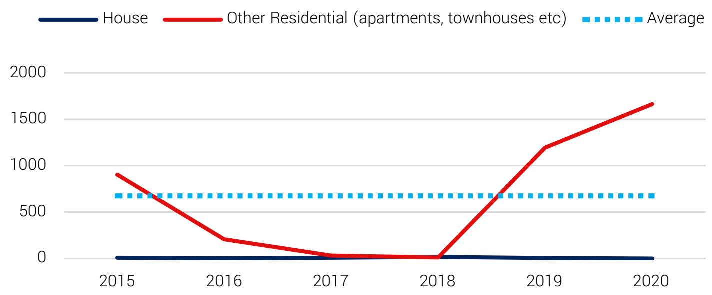
Table 27 shows dwelling approvals between 2015-20 in the SA1s of 'best fit' to the study area. More than 4,000 dwellings were approved over the period at an average of 674 per annum. It is noted that the recent increase in approvals activity is primarily due to major residential developments in the Montague precinct of Fishermans Bend which are within the SA1s of best fit but outside the study area.

T27. DWELLING APPROVALS BY TYPE, SOUTH MELBOURNE (SA1S), 2015-2020

Year	House	Other Residential	Total
2015	6	903	909
2016	2	207	209
2017	6	30	36
2018	16	12	28
2019	4	1,194	1198
2020	0	1,664	1664
Total	34	4,010	4,044
Average p.a.	6	668	674

Source: Dwelling approvals, South Melbourne (SA1s), ABS Building Approvals, 2015 to 2020

F37. DWELLING APPROVALS, SOUTH MELBOURNE (SA1s), 2015-2020



Source: Dwelling approvals, South Melbourne (SA1s), ABS Building Approvals, 2015 to 2020.

5.3.2. MAJOR REDEVELOPMENT SITES, RESIDENTIAL

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

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

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

Major residential redevelopment projects in the study area and surrounding areas are shown in Figure 38. There were a very limited number of major redevelopment sites with an active status in the study area at the time the latest data was compiled. In terms of future development, 2 projects were identified as ‘firm’ (total of 94 apartments).

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

F38. MAJOR REDEVELOPMENT SITES (RESIDENTIAL) BY STATUS, SOUTH MELBOURNE, UDP

Source: Urban Development Program, DELWP, 2020.

5.4. CASE STUDIES: RESIDENTIAL

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

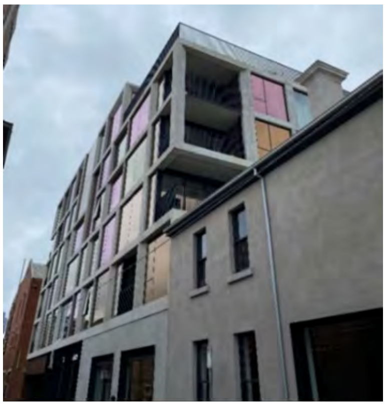
The following three case studies are summarised in this section to demonstrate the location, nature and scale of residential development that has taken place in the study area in recent years:

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

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

PICCOLO HOUSE

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

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

274-278 COVENTRY STREET

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

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

244-246 DORCAS STREET

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

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

5.5. NON-RESIDENTIAL DEVELOPMENT ACTIVITY

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

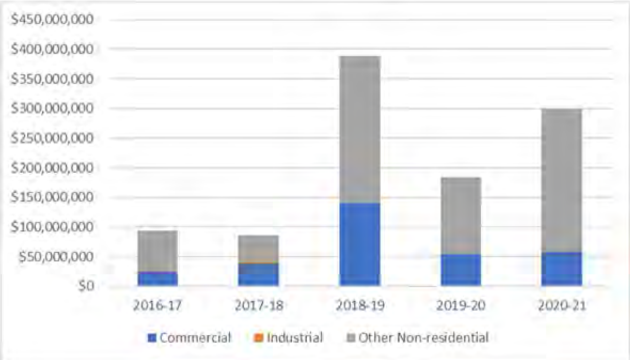
The value of non-residential building approvals provides an indication of the scale and nature of private and public sector investment and development activity across non-residential land uses.

5.5.1. VALUE OF BUILDING APPROVALS

Figure 39 shows the value of non-residential building approvals in the South Melbourne SA2 between 2012 and 2020 (financial year). This SA2 includes all of the study area and sections of Montague in Fishermans Bend, Domain and St Kilda Road North.

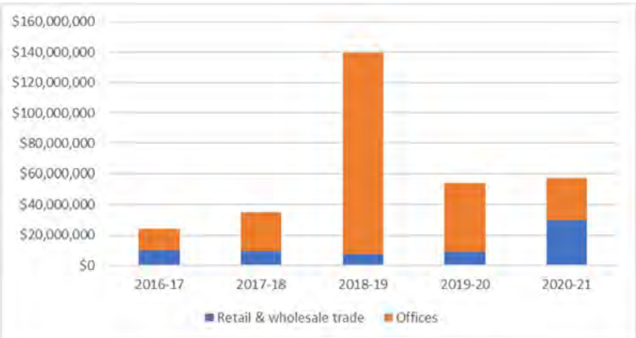
There has been an increase in the value of non-residential building construction approved in the area over the period, driven by commercial and 'other non-residential' building[16]. The majority of commercial approvals have been for office buildings as shown in Figure 40.

F39. VALUE OF NON-RESIDENTIAL BUILDING APPROVALS, SOUTH MELBOURNE SA2, 2017-2021



Source: Value of Building Approvals, South Melbourne SA2, 2017-21 (financial year). Note: 2021 includes July 2021.

F40. VALUE OF COMMERCIAL BUILDING APPROVALS, SOUTH MELBOURNE SA2, 2016/17-2020/21



Source: Value of Building Approvals, South Melbourne SA2, 2017-21 (financial year). Note: 2021 includes July 2022

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

5.6. CASE STUDIES: OFFICE

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

The following office developments have been assessed:

- Market Lane, 68 Clarke Street (C2Z), completed 2020;
- 101 Moray, 101-109 Moray Street (C2Z), completed 2020;
- 80-84 Cecil Street (C1Z), site works commenced mid-2021;
- 143-145 Clarendon Street (C1Z & C2Z), under construction; and
- 307-309 Clarendon Street (C1Z), under construction.

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

MARKET LANE

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

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

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

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

Address: 68 Clarke Street
Zone: Commercial 2 Zone
Overlays: DDO 8-7a/b, SBO1
Date received/endorsed: 13/04/2018
Primary land use: Commercial
Site area: 2,788 sqm
Storeys: 6
Floorspace (GFA): 11,301 sqm
Net Lettable Area (NLA): 10,213 sqm

101 MORAY

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

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

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

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

80-84 CECIL STREET

Site works have recently commenced on 80-84 Cecil Street, located in the northwest of the study area opposite the South Melbourne Market. When complete, the $60 million building will include more than 14,500 sqm of net leasable office floorspace, and a small number of retail tenancies.

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

143-145 CLARENDON STREET

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

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

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

307-309 CLARENDON STREET

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

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

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

5.6.1. CO-WORKING

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

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

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

5.7. CONSULTATION WITH DEVELOPMENT AND REAL ESTATE REPRESENTATIVES

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

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

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

5.8. DISCUSSION

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

The two major office developments at 68 Clarke Street and 101 Moray Street delivered an additional 24,000 sqm of net leasable office floorspace in the study area. When projects at 80-84 Cecil Street, 143-145 and 307-309 Clarendon Street are complete, a further 18,500 sqm of office space will be added.

Several further office developments are proposed, including:

- 133 Moray Street (C2Z) – 2,735 sqm (NLA) across 6 storeys;
- 134 Moray Street (C2Z) – 5,800 sqm (NLA) across 10 storeys; and
- 11-29 Eastern Road (C2Z) – 17,000 sqm (NLA) across 11 storeys.

If these developments are delivered as proposed, a further 25,500 sqm of office space will be added to the study area. The rate at which this planned space is delivered and occupied is yet to be known.

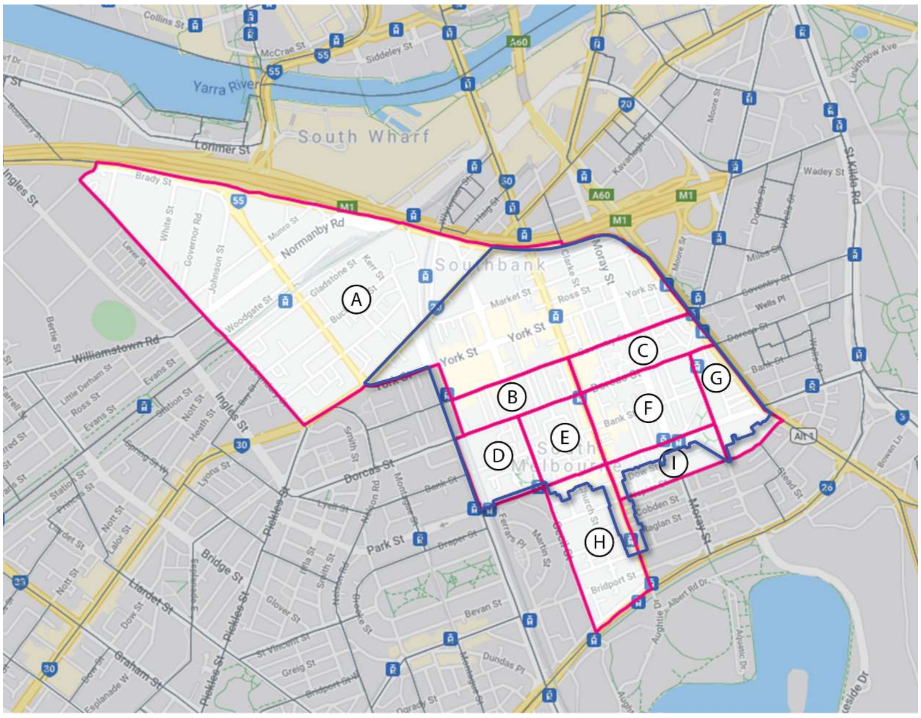
The study area currently includes approximately 180,000 sqm of commercial floorspace, much of which is dedicated to office purposes. The recent and proposed additions will add substantial capacity to the area to accommodate businesses and employees.

Over the medium term, the rate of growth of office space will depend on how quickly new space is occupied, how the market responds to changes in work practices post-pandemic and the level of competition from other precincts. Recent finalisation of the Framework Plan for Fishermans Bend is likely to result in increased competition for new office floorspace development and absorption in the southern city fringe area, while other inner city fringe areas (such as Richmond and Collingwood) are also attracting substantial office development.

APPENDICES

APPENDIX A DATA AREAS

F41. SA1 DATA AREAS

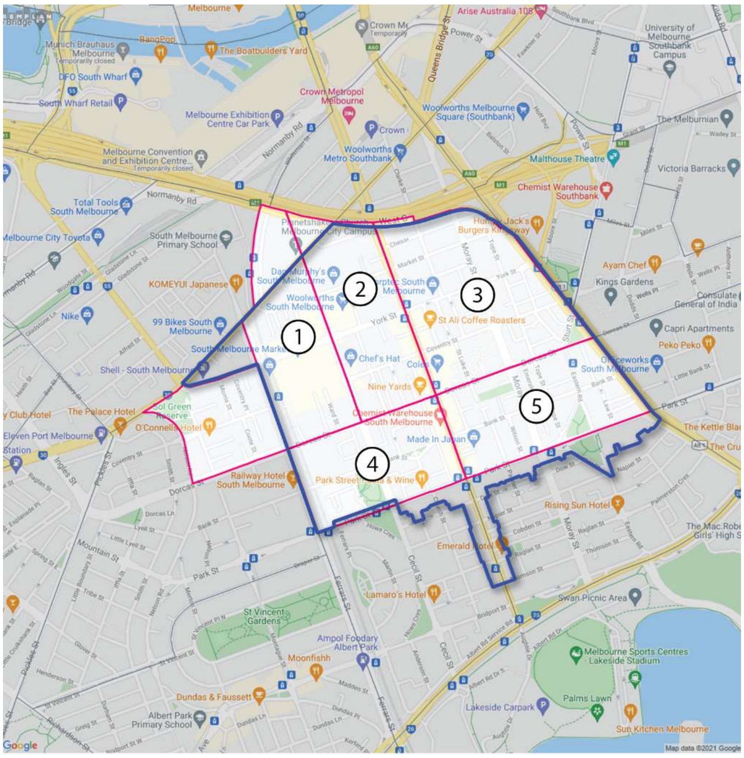


Source: REMPLAN MapBuilder

T28. SA1S WITHIN STUDY AREA

Map ID	Suburb	SA1 Code	Notes
A	South Melbourne	20605113229	Includes one section of land outside study area: - CCZ land north of City Road
B	South Melbourne	20605113204	All within Study Area
C	South Melbourne	20605113202	All within Study Area
D	South Melbourne	20605113203	All within Study Area
E	South Melbourne	20605113225	All within Study Area
F	South Melbourne	20605113201	All within Study Area
G	South Melbourne	20605113223	Includes one section of land outside study area: - GRZ1 land south of Park Street
H	South Melbourne	20605113213	Includes one section of land outside study area: - GRZ1 and NRZ2 land south of Park Street
I	South Melbourne	20605113226	Includes one section of land outside study area: - NRZ1 land south of Dow Street

F42. DESTINATION ZONES



Source: REMPLAN MapBuilder

T29. DESTINATION ZONES WITHIN STUDY AREA

Map ID	Suburb	Destination Zone Code	Notes
1	South Melbourne	au2016dz_211321185	Includes two sections of land outside study area: - NRZ land west of Ferrars Street - CCZ north of City Road
2	South Melbourne	au2016dz_211321190	Includes one section of land outside study area: - CCZ north of City Road
3	South Melbourne	au2016dz_211321189	All within Study Area
4	South Melbourne	au2016dz_211321192	All within Study Area
5	South Melbourne	au2016dz_211321191	All within Study Area

The following sections of the Study Area are not captured in the DZ employment data analysed for the study because the respective Destination Zones extend well beyond the study area and capture employment data for many other properties and sub-precincts:

- Industrial 1 Zone at the corner of York and Ferrars Street;
- Land south of Park Street within the study area, including properties in the Commercial 1 Zone, Mixed Use Zone and General Residential Zone.

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

CREATIVE INDUSTRIES

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

PROFESSIONAL + FINANCIAL SERVICES

Financial and Insurance Services
Banking
Other Auxiliary Finance and Investment Services
Financial Asset Investing
Auxiliary Insurance Services
General Insurance
Financial and Insurance Services, nfd
Finance, nfd
Other Depository Financial Intermediation
Superannuation Funds
Financial Asset Broking Services
Non-Depository Financing
Insurance and Superannuation Funds, nfd
Life Insurance
Health Insurance
Auxiliary Finance and Investment Services, nfd
Rental, Hiring and Real Estate Services
Real Estate Services
Non-Residential Property Operators
Property Operators and Real Estate Services, nfd
Residential Property Operators
Rental, Hiring and Real Estate Services, nfd
Professional, Scientific and Technical Services
Accounting Services
Market Research and Statistical Services
Management Advice and Related Consulting Services
Engineering Design and Engineering Consulting Services
Legal Services
Surveying and Mapping Services
Professional, Scientific and Technical Services (except Computer System Design and Related Services), nfd
Professional, Scientific and Technical Services, nfd
Scientific Research Services
Corporate Head Office Management Services
Management and Related Consulting Services, nfd
Scientific Testing and Analysis Services
Other Professional, Scientific and Technical Services nec
Administrative and Support Services
Other Administrative Services nec
Employment Placement and Recruitment Services

RETAIL + HOSPITALITY

Retail Trade
Supermarket and Grocery Stores
Manchester and Other Textile Goods Retailing
Department Stores
Other Store-Based Retailing nec
Clothing Retailing
Retail Trade, nfd
Pharmaceutical, Cosmetic and Toiletry Goods Retailing
Fresh Meat, Fish and Poultry Retailing
Liquor Retailing
Other Specialised Food Retailing
Sport and Camping Equipment Retailing
Fruit and Vegetable Retailing
Electrical, Electronic and Gas Appliance Retailing
Hardware and Building Supplies Retailing
Flower Retailing
Houseware Retailing
Fuel Retailing
Furniture Retailing
Car Retailing
Newspaper and Book Retailing
Footwear Retailing
Non-Store Retailing
Stationery Goods Retailing
Antique and Used Goods Retailing
Food Retailing, nfd
Other Store-Based Retailing, nfd
Computer and Computer Peripheral Retailing
Watch and Jewellery Retailing
Motor Vehicle Parts Retailing
Recreational Goods Retailing, nfd
Entertainment Media Retailing
Furniture, Floor Coverings, Houseware and Textile Goods Retailing, nfd
Other Personal Accessory Retailing
Tyre Retailing
Specialised Food Retailing, nfd
Toy and Game Retailing
Retail Commission-Based Buying and/or selling
Accommodation + Food Services
Cafes and Restaurants
Pubs, Taverns and Bars
Takeaway Food Services
Accommodation
Food and Beverage Services, nfd
Catering Services
Clubs (Hospitality)
Accommodation and Food Services, nfd
Cafes, Restaurants and Takeaway Food Services, nfd
Other Services
Hairdressing and Beauty Services
Labour Association Services
Religious Services
Other Interest Group Services nec
Other Automotive Repair and Maintenance
Automotive Body, Paint and Interior Repair
Other Personal Services nec
Business and Professional Association Services

Brothel Keeping and Prostitution Services
Parking Services
Laundry and Dry-Cleaning Services
Clothing and Footwear Repair
Photographic Film Processing
Repair and Maintenance, nfd
Electronic (except Domestic Appliance) and Precision Equipment Repair and Maintenance
Civic, Professional and Other Interest Group Services, nfd
Automotive Electrical Services
Other Machinery and Equipment Repair and Maintenance

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